

STATE CENTER COMMUNITY COLLEGE DISTRICT

Reissued Audit Report

HEALTH FEE ELIMINATION PROGRAM

Chapter 1, Statutes of 1984, 2nd Extraordinary Session,
and Chapter 1118, Statutes of 1987

July 1, 2002, through June 30, 2007



BETTY T. YEE
California State Controller

December 2017



BETTY T. YEE
California State Controller

December 29, 2017

John Leal, President
Board of Trustees
State Center Community College District
1525 East Weldon Avenue
Fresno, CA 93704

Dear Mr. Leal:

The State Controller's Office (SCO) audited the costs claimed by State Center Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2002, through June 30, 2007.

This reissued final audit report updates our previous final report, issued June 11, 2010. The previous report identified \$124,261 in overstated indirect costs for fiscal year (FY) 2005-06 and FY 2006-07. On July 28, 2017, the Commission on State Mandates (Commission) issued a decision in response to an Incorrect Reduction Claim filed by the district for the Health Fee Elimination Program. In its decision, the Commission concluded that the reduction of indirect costs in FY 2005-06 and FY 2006-07, based solely on the Controller's change to the claiming instructions and SCO's use of the new indirect cost rate rule, without evidence that notice and an opportunity for comment was provided to the claimant, is an invalid underground regulation and the costs reduced should be reinstated to the district. In compliance with the Commission's decision, we reinstated the indirect costs for FY 2005-06 and FY 2006-07. As a result, allowable costs increased by \$124,261, from \$1,355,727 to \$1,479,988.

The district claimed \$2,258,471 (\$2,268,471 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$1,479,988 is allowable and \$778,483 is unallowable. The costs are unallowable because the district understated salaries, benefits, and services and supplies; overstated indirect costs; and understated authorized health service fees. The State paid the district \$1,478,285. The SCO's Local Government Programs and Services Division will send the district a separate notification letter to resolve allowable costs in excess of the amount paid, totaling \$1,703. The letter will be sent within 30 days from the issuance date of this report.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Dr. Paul Parnell, Chancellor
State Center Community College District
Edwin Eng, Vice Chancellor, Finance and Administration
State Center Community College District
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Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by State Center Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2002, through June 30, 2007.

The district claimed \$2,258,471 (\$2,268,471 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$1,479,988 is allowable and \$778,483 is unallowable. The costs are unallowable because the district understated salaries, benefits, and services and supplies; overstated indirect costs; and understated authorized health service fees. The State paid the district \$1,478,285. Allowable costs claimed exceed the amount paid by \$1,703.

Background

Chapter 1, Statutes of 1984, 2nd Extraordinary Session repealed Education Code section 72246 which authorized community college districts to charge a health fee for providing health supervision and services, providing medical and hospitalization services, and operating student health centers. This statute also required that health services for which a community college district charged a fee during fiscal year (FY) 1983-84 had to be maintained at that level in FY 1984-85 and every year thereafter. The provisions of this statute would automatically sunset on December 31, 1987, reinstating the community college districts' authority to charge a health service fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 (subsequently renumbered as section 76355 by Chapter 8, Statutes of 1993). The law requires any community college district that provided health services in FY 1986-87 to maintain health services at the level provided during that year for FY 1987-88 and for each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (Commission) determined that Chapter 1, Statutes of 1984, 2nd Extraordinary Session imposed a "new program" upon community college districts by requiring specified community college districts that provided health services in FY 1983-84 to maintain health services at the level provided during that year for FY 1984-85 and for each fiscal year thereafter. This maintenance-of-effort requirement applied to all community college districts that levied a health service fee in FY 1983-84.

On April 27, 1989, the Commission determined that Chapter 1118, Statutes of 1987, amended this maintenance-of-effort requirement to apply to all community college districts that provided health services in FY 1986-87, requiring them to maintain that level in FY 1987-88 and for each fiscal year thereafter.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. Commission adopted parameters and

guidelines on August 27, 1987, and amended them on May 25, 1989. In compliance with Government Code (GC) section 17558, the SCO issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Health Fee Elimination Program for the period of July 1, 2002, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objective, we performed the following procedures:

- Reviewed annual mandated cost claims filed by the district to identify the material cost components of each claim, any mathematical errors, and performed analytical procedures to determine any unusual or unexpected variances from year-to-year. We also reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire and performed a walkthrough of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Reviewed all supporting time documents related to time spent on mandated activities by district staff. Traced the employees' salaries to supporting documentation in the district's payroll system, which includes contracts, personnel forms, and/or monthly timesheets;
- Reviewed all supporting documentation to ensure that the services and supplies costs claimed were properly supported and consumed specifically for the purpose of the mandate;
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities. Also verified that costs claimed for health services were consistent with services that the district reported in the FY 1986-87 base year;
- Determined whether indirect costs were properly claimed, supported, and applied;
- Determined whether health service fees charged to district students were based on amounts that the district was authorized to assess;
- Verified student enrollment, BOGG Fee Waiver recipients, and apprenticeship program enrollees for the audit period using data that the district reported to the California Community Colleges Chancellor's Office;
- Inquired whether the claimant realized any offsetting savings or reimbursements from the statutes that created the mandated program; and
- Recalculated allowable costs claimed using audited data.

We conducted this performance audit under the authority of GC sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. Except for being unable to assess fraud risk, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. As a result, we increased our substantive testing; however, this would not necessarily identify fraud or abuse that may have occurred.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objective section. These instances are described in the accompanying Summary of Program Costs (Revised Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, State Center Community College District claimed \$2,258,471 (\$2,268,471 less a \$10,000 penalty for filing a late claim) for costs of the Health Fee Elimination Program. Our audit found that \$1,479,988 is allowable and \$778,483 is unallowable.

For the FY 2005-06 claim, the State paid the district \$213,629. Our audit found that \$300,336 is allowable. The SCO's LGPSD will send the district a separate notification letter to resolve allowable costs in excess of the amount paid, totaling \$86,707. The letter will be sent within 30 days from the issuance date of this report.

For the FY 2006-07 claim, the State paid the district \$222,777. Our audit found that \$137,773 is allowable. The SCO's LGPSD will send the district a separate notification letter to resolve the amount paid in excess of allowable costs, totaling \$85,004. The letter will be sent within 30 days from the issuance date of this report.

Views of Responsible Official

We issued a draft audit report on April 23, 2010. Douglas R. Brinkley, Vice-Chancellor, responded by letter dated May 12, 2010, agreeing with Finding 1 and disagreeing with Findings 2 through 5. We issued our initial final audit report on June 11, 2010. Subsequently, we revised our audit report to reinstate \$124,261 in indirect costs for FY 2005-06 and FY 2006-07. We advised Wil Schofield, Director of Finance, of the revision on October 26, 2017.

**Reason for
Reissuance**

On July 28, 2017, the Commission issued a decision in response to the district's filed Incorrect Reduction Claim. In its decision, the Commission concluded that the reduction of indirect costs in FY 2005-06 and FY 2006-07, based solely on the Controller's change to the claiming instructions and SCO's use of the new indirect cost rate rule, without evidence that notice and an opportunity for comment was provided to the claimant, is an invalid underground regulation and the costs reduced should be reinstated to the district. In compliance with the Commission's decision, we reinstated the indirect costs for FY 2005-06 and FY 2006-07. As a result, allowable costs increased by \$124,261, from \$1,355,727 to \$1,479,988.

Restricted Use

This report is solely for the information and use of State Center Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 29, 2017

Revised Schedule 1— Summary of Program Costs July 1, 2002, through June 30, 2007

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries	\$ 504,055	\$ 504,055	\$ -	
Benefits	103,765	103,765	-	
Services and supplies	97,869	105,906	8,037	Finding 1
Total direct costs	705,689	713,726	8,037	
Indirect costs	287,146	107,630	(179,516)	Finding 2 (Revised)
Total direct and indirect costs	992,835	821,356	(171,479)	
Less authorized health service fees	(368,100)	(434,385)	(66,285)	Finding 3
Less offsetting savings/reimbursements	(8,800)	(8,800)	-	
Total program costs	<u>\$ 615,935</u>	378,171	<u>\$ (237,764)</u>	
Less amount paid by the State		(378,171)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 334,958	\$ 424,961	\$ 90,003	Finding 1
Benefits	82,966	97,236	14,270	Finding 1
Services and supplies	56,086	86,107	30,021	Finding 1
Total direct costs	474,010	608,304	134,294	
Indirect costs	183,820	98,241	(85,579)	Finding 2 (Revised)
Total direct and indirect costs	657,830	706,545	48,715	
Less authorized health service fees	(279,653)	(429,150)	(149,497)	Finding 3
Less offsetting savings/reimbursements	(8,850)	(8,850)	-	
Total program costs	<u>\$ 369,327</u>	268,545	<u>\$ (100,782)</u>	
Less amount paid by the State		(268,545)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 347,653	\$ 522,636	\$ 174,983	Finding 1
Benefits	94,282	124,140	29,858	Finding 1
Services and supplies	94,296	99,366	5,070	Finding 1
Total direct costs	536,231	746,142	209,911	
Indirect costs	195,724	203,548	7,824	Finding 2 (Revised)
Total direct and indirect costs	731,955	949,690	217,735	
Less authorized health service fees	(332,627)	(460,769)	(128,142)	Finding 3
Less offsetting savings/reimbursements	(4,165)	(4,165)	-	
Less allowable costs that exceed costs claimed ²	-	(89,593)	(89,593)	
Total program costs	<u>\$ 395,163</u>	395,163	<u>\$ -</u>	
Less amount paid by the State		(395,163)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 534,260	\$ 534,260	\$ -	
Benefits	127,785	127,785	-	
Services and supplies	103,914	103,914	-	
Total direct costs	765,959	765,959	-	
Indirect costs	279,575	279,575	-	
Total direct and indirect costs	1,045,534	1,045,534	-	
Less authorized health service fees	(338,695)	(725,148)	(386,453)	Finding 3
Less offsetting savings/reimbursements	(10,050)	(10,050)	-	
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	<u>\$ 686,789</u>	300,336	<u>\$ (386,453)</u>	
Less amount paid by the State		(213,629)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,707</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 556,482	\$ 644,821	\$ 88,339	Finding 1
Benefits	126,554	148,315	21,761	Finding 1
Services and supplies	110,591	154,682	44,091	Finding 1
Total direct costs	793,627	947,818	154,191	
Indirect costs	289,674	289,674	-	
Total direct and indirect costs	1,083,301	1,237,492	154,191	
Less authorized health service fees	(883,224)	(1,090,899)	(207,675)	Finding 3
Less offsetting savings/reimbursements	(8,820)	(8,820)	-	
Total program costs	<u>\$ 191,257</u>	137,773	<u>\$ (53,484)</u>	
Less amount paid by the State		(222,777)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (85,004)</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 2,277,408	\$ 2,630,733	\$ 353,325	
Benefits	535,352	601,241	65,889	
Services and supplies	462,756	549,975	87,219	
Total direct costs	3,275,516	3,781,949	506,433	
Indirect costs	1,235,939	978,668	(257,271)	
Total direct and indirect costs	4,511,455	4,760,617	249,162	
Less authorized health service fees	(2,202,299)	(3,140,351)	(938,052)	
Less offsetting savings/reimbursements	(40,685)	(40,685)	-	
Less late filing penalty	(10,000)	(10,000)	-	
Less allowable costs that exceed costs claimed	-	(89,593)	(89,593)	
Total program costs	<u>\$ 2,258,471</u>	1,479,988	<u>\$ (778,483)</u>	
Less amount paid by the State ³		(1,478,285)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,703</u>		

¹ See the Revised Findings and Recommendations section.

² GC section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2004-05.

³ Payment information current as of October 25, 2017.

Revised Findings and Recommendations

**FINDING 1—
Understated salaries,
benefits, and services
and supplies**

The district understated salaries, benefits, and services and supplies by \$506,433. The district understated costs for the following reasons:

- For FY 2003-04 and FY 2004-05, the district did not claim mandate-related psychological interns’ costs;
- For FY 2002-03, FY 2003-04, and FY 2004-05, the district did not claim mandate-related health service costs that it funded with California Lottery revenue. The district’s Lottery revenue does not result from the statute that established the mandated program. In addition, the district does not receive Lottery revenue specifically to fund mandated program costs. Therefore, Lottery revenue is not offsetting revenue for mandated program purposes; and
- For FY 2006-07, the district did not claim mandate-related costs for its North Centers locations. The district believed that these costs were not mandate-related because the North Centers locations did not exist in the 1986-87 base year. However, the mandated program requires that the *district* provide the same level of health services that it provided in the 1986-87 base year; the *location(s)* where it provides those services is irrelevant.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2006-07	
Salaries:					
Psychological interns	\$ —	\$ 90,003	\$ 174,983	\$ —	\$ 264,986
North Centers	—	—	—	88,339	88,339
Total, salaries	—	90,003	174,983	88,339	353,325
Benefits:					
Psychological interns	—	14,270	29,858	—	44,128
North Centers	—	—	—	21,761	21,761
Total, benefits	—	14,270	29,858	21,761	65,889
Services and supplies:					
Psychological interns	—	1,116	2,772	—	3,888
Lottery-funded costs	8,037	28,905	2,298	—	39,240
North Centers	—	—	—	44,091	44,091
Total, services and supplies	8,037	30,021	5,070	44,091	87,219
Audit adjustment	\$ 8,037	\$ 134,294	\$ 209,911	\$ 154,191	\$ 506,433

The program’s parameters and guidelines state, in part:

Actual costs for one fiscal year should be included in each claim. . . .

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. . . .

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. . . .

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim mandate-related costs that its accounting records support.

**REVISED
FINDING 2—
Overstated indirect
costs**

The district overstated indirect costs by \$257,271.

For FY 2002-03 and FY 2003-04, the district claimed indirect costs based on indirect cost rates prepared using the principles of Title 2, *Code of Federal Regulations*, Part 220 (Office of Management and Budget Circular A-21). However, the district did not obtain federal approval for these rates.

For FY 2004-05, the district claimed indirect costs based on its federally approved rate. However, the parameters and guidelines and the SCO’s claiming instructions do not provide districts the option of using a federally approved rate.

We calculated allowable indirect cost rates using the SCO’s FAM-29C methodology for FY 2002-03, FY 2003-04, and FY 2004-05. We applied the allowable indirect cost rates to the corresponding allowable direct costs.

We made no adjustment to indirect costs for FY 2005-06 and FY 2006-07.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Allowable direct costs	\$ 713,726	\$ 608,304	\$ 746,142	
Allowable indirect cost rate	× 15.08%	× 16.15%	× 27.28%	
Allowable indirect costs	107,630	98,241	203,548	
Indirect costs claimed	(287,146)	(183,820)	(195,724)	
Audit adjustment	<u>\$(179,516)</u>	<u>\$(85,579)</u>	<u>\$ 7,824</u>	<u>\$(257,271)</u>

The parameters and guidelines state, in part:

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

For FY 2002-03 and FY 2003-04, the SCO’s claiming instructions state, in part:

A college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions," or the Controller's [FAM-29C] methodology. . . .

For FY 2004-05 forward, the SCO's claiming instructions state, in part:

A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C). . . . If specifically allowed by a mandated program's P's & G's [parameters and guidelines], a district may alternately choose to claim indirect costs using either (1) a federally approved rate prepared in accordance with Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*; or (2) a flat 7% rate.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim Health Fee Elimination Program indirect costs based on indirect cost rates computed in accordance with the SCO's FAM-29C methodology.

FINDING 3— Understated authorized health service fees

The district understated authorized health service fees by \$938,052. The district understated these fees because it reported actual receipts rather than authorized fees. The district believes that it is required to report only actual receipts. In addition, we noted that the district did not charge all students the full authorized fee amount for the 2004 and 2005 summer sessions, the 2006 fall semester, and the 2007 spring semester. Also, for all school terms, the district did not charge the full authorized fee amount for students attending off-campus classes only.

Mandated costs do not include costs that are reimbursable from authorized fees. GC section 17514 states that "costs mandated by the state" means any increased costs that a school district is *required* to incur. To the extent community college districts can charge a fee, they are not *required* to incur a cost. In addition, GC section 17556 states that the Commission shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

For the period of July 1, 2002, through December 31, 2005, Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; or (3) demonstrate financial need. Effective January 1, 2006, only Education Code section 76355, subdivisions (c)(1) and (2) are applicable.

The California Community Colleges Chancellor's Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a).

The following table summarizes the authorized fees:

Fiscal Year	Authorized Health Fee Rate	
	Fall and Spring Semesters	Summer Session
2002-03	\$12	\$9
2003-04	\$12	\$9
2004-05	\$13	\$10
2005-06	\$14	\$11
2006-07	\$15	\$12

We obtained student enrollment, Board of Governors Grant (BOGG) recipient, and apprenticeship program enrollee data from the CCCCCO. The CCCCCO identified enrollment and BOGG recipient data from its management information system (MIS) based on student data that the district reported. The CCCCCO identified the district’s enrollment based on CCCCCO’s MIS data element STD7, codes A through G. The CCCCCO eliminated any duplicate students based on their social security numbers. From the district enrollment, the CCCCCO identified the number of BOGG recipients based on MIS data element SF21, all codes with first letter of B or F. The CCCCCO also identified the number of apprenticeship program enrollees based on its data element SB 23, code 1. The district did not identify any students excluded from the health service fee pursuant to Education Code section 76355, subdivision (c)(1).

The following table shows the authorized health service fee calculation and audit adjustment:

	Summer Session	Fall Semester	Spring Semester	Total
Fiscal Year 2002-03:				
Number of enrolled students	13,064	32,522	31,597	
Less number of BOGG recipients	(6,209)	(16,703)	(16,189)	
Less number of apprenticeship program enrollees	(2)	(85)	(83)	
Subtotal	6,853	15,734	15,325	
Authorized health fee rate	× \$(9)	× \$(12)	× \$(12)	
Authorized health service fees	<u>\$ (61,677)</u>	<u>\$ (188,808)</u>	<u>\$ (183,900)</u>	\$ (434,385)
Less authorized health service fees claimed				<u>368,100</u>
Audit adjustment, FY 2002-03				<u>(66,285)</u>
Fiscal Year 2003-04:				
Number of enrolled students	9,416	32,811	31,236	
Less number of BOGG recipients	(4,658)	(15,727)	(15,941)	
Less number of apprenticeship program enrollees	(4)	(80)	(102)	
Subtotal	4,754	17,004	15,193	
Authorized health fee rate	× \$(9)	× \$(12)	× \$(12)	
Authorized health service fees	<u>\$ (42,786)</u>	<u>\$ (204,048)</u>	<u>\$ (182,316)</u>	(429,150)
Less authorized health service fees claimed				<u>279,653</u>
Audit adjustment, FY 2003-04				<u>(149,497)</u>

	Summer Session	Fall Semester	Spring Semester	Total
Fiscal Year 2004-05:				
Number of enrolled students	10,825	32,216	30,985	
Less number of BOGG recipients	(4,853)	(16,314)	(15,949)	
Less number of apprenticeship program enrollees	(4)	(85)	—	
Subtotal	5,968	15,817	15,036	
Authorized health fee rate	× \$(10)	× \$(13)	× \$(13)	
Authorized health service fees	\$ (59,680)	\$ (205,621)	\$ (195,468)	(460,769)
Less authorized health service fees claimed				332,627
Audit adjustment, FY 2004-05				(128,142)
Fiscal Year 2005-06:				
Number of enrolled students	12,184	32,720	30,757	
Less number of BOGG recipients	(5,957)	(16,428)	—	
Less number of apprenticeship program enrollees	(3)	(57)	(86)	
Subtotal	6,224	16,235	30,671	
Authorized health fee rate	× \$(11)	× \$(14)	× \$(14)	
Authorized health service fees	\$ (68,464)	\$ (227,290)	\$ (429,394)	(725,148)
Less authorized health service fees claimed				338,695
Audit adjustment, FY 2005-06				(386,453)
Fiscal Year 2006-07:				
Number of enrolled students	12,105	32,988	30,139	
Less number of apprenticeship program enrollees	(3)	(82)	—	
Subtotal	12,102	32,906	30,139	
Authorized health fee rate	× \$(12)	× \$(15)	× \$(15)	
Authorized health service fees	\$ (145,224)	\$ (493,590)	\$ (452,085)	(1,090,899)
Less authorized health service fees claimed				883,224
Audit adjustment, FY 2006-07				(207,675)
Total audit adjustment				\$ (938,052)

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district:

- Deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on the CCCC data element STD7, codes A through G;
- Identify the number of apprenticeship program enrollees based on data elements SB 23 (code 1) and STD7 (codes A through G);
- Eliminate duplicate entries for students who attend more than one college within the district;

- Maintain documentation that identifies the number of students excluded from the health service fee based on Education Code section 76355, subdivision (c)(1). If the district denies health services to any portion of its student population, it should maintain contemporaneous documentation of a district policy that excludes those students from receiving health services and documentation identifying the number of students excluded. The district must also provide documentation that it excluded the same student population from receiving health services during the FY 1986-87 base year;
- Charge students the authorized fee amount for each school term; and
- Waive the health service fee only for those students specified in Education Code section 76355, subdivision (c).

**FINDING 4—
Inaccurate reporting
of health services
provided**

For all fiscal years, the district inaccurately reported base-year and current-year services provided. We reviewed the services that the district reported in the FY 1986-87 base year, along with the base-year and current-year services that the district reported for each fiscal year of the audit period. We noted the following inconsistencies:

- The district's FY 1986-87 base-year report identified a service provided; however, the district did not report the same service as a base-year and/or current-year service in one or more fiscal years during the audit period.
- For one or more years during the audit period, the district reported that it provided a service during the base year and the current year; however, the district's FY 1986-87 base-year report did not show that it provided the same service.

The table shown on the following page summarizes the reporting inconsistencies.

The parameters and guidelines state, in part:

Community college districts which provided health services in 1986-87 fiscal year *and continue to provide the same services as a result of this mandate* [emphasis added] are eligible to claim reimbursement of those costs.

The parameters and guidelines identify reimbursable health services and state that the district will be reimbursed only for those services that it provided in the FY 1986-87 base year. They also state:

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim. . . .

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district accurately report health services that it provided in the FY 1986-87 base year and during the current year for which it intends to claim mandate-related costs. We recommend that the district refrain from claiming any mandated costs if it does not provide one or more services that it provided during the FY 1986-87 base year. In addition, we recommend that the district deduct the actual cost of any current-year services that exceed the services that the district provided during the FY 1986-87 base year.

REPORTING INCONSISTENCIES											
Health Services	FY 1986-87	FY 2002-03		FY 2003-04		FY 2004-05		FY 2005-06		FY 2006-07	
	Base Year	Base Year	Current Year	Base Year	Current Year	Base Year	Current Year	Base Year	Current Year	Base Year	Current Year
Assessment, Intervention and Counseling:											
Acquired Immune Deficiency Syndrome	✓							✓	✓	✓	✓
Other medical problems:	✓										
Hypertension		✓	✓								
Cardiovascular		✓	✓								
Seizure disorder		✓	✓								
Pulmonary		✓	✓								
Health Talks or Fairs, Information:											
Other - blood drive	✓										
Immunizations:											
Diphtheria/Tetanus	✓										
Insurance:											
Insurance Inquiry/claim administration	✓										
Medications:											
RID	✓										
Tolnaftate		✓	✓	✓	✓	✓	✓	✓	✓		
Cortisone		✓	✓	✓	✓	✓	✓	✓	✓		
CTM		✓	✓	✓	✓	✓	✓	✓	✓		
Pseudoephedrine HCE	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Diphenhydramine	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Pediculosis Control		✓	✓	✓	✓	✓	✓	✓	✓		
Cough syrup		✓	✓	✓	✓	✓	✓	✓	✓		
Lozenges		✓	✓	✓	✓	✓	✓	✓	✓		
Referrals to Outside Agencies:											
Crisis Centers		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tests:											
Vision	✓	✓	✓	✓	✓			✓	✓	✓	✓
Glucometer	✓					✓	✓				
Urinalysis	✓			✓	✓			✓	✓	✓	✓
Hemoglobin		✓	✓								
Committees:											
Environmental	✓										
Communicable disease control	✓										
Self-esteem groups	✓										
Mental health crisis	✓										
Alcoholics anonymous group	✓										
Adult children of alcoholics group	✓										
Workshops:											
Stress management	✓										
Communication skills	✓										
Weight loss	✓										
Assertiveness skills	✓										

**FINDING 5—
Insufficient
documentation of
health services
provided**

Fresno City College and the district's North Centers (Clovis Center, Madera Center, and Oakhurst Center) did not sufficiently document actual health services that they provided. These locations maintained health service records that do not identify the services provided consistent with the parameters and guidelines. The records either identified the services provided using general, vague descriptions or did not identify a specific service provided.

The parameters and guidelines identify approximately 125 specific reimbursable health services and state that the district will be reimbursed only for those services that it provided in FY 1986-87. They state that the district must support claimed salaries and benefits in the following manner:

Identify the employee(s), show the classification of the employee(s) involved, *describe the mandated functions performed and specify the actual number of hours devoted to each function* [emphasis added]. . . .

The parameters and guidelines also state:

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that Fresno City College and the district's North Centers maintain health service records identifying actual services that they provided in the same manner that the parameters and guidelines and the SCO's claim forms identify health services.

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