



**JOHN CHIANG**  
California State Controller

April 24, 2008

Paula Higashi, Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Keith B. Petersen  
SixTen and Associates  
5252 Balboa Avenue, Suite 807  
San Diego, CA 92117

Re: **Incorrect Reduction Claim**  
*Health Fee Elimination*, 05-4206-I-04  
San Mateo County Community College District, Claimant  
Education Code Section 76355  
Statutes 1984, Chapter 1, 2<sup>nd</sup> E.S.; Statutes 1987, Chapter 1118  
Fiscal Years 1999-00, 2000-01, and 2001-02

Dear Ms. Higashi and Mr. Petersen:

This letter is in response to the above-entitled Incorrect Reduction Claim. The subject claims were reduced primarily because the District claimed unsupported salary costs, utilized an unsupported benefit rate, and improperly applied an indirect cost rate. The reductions were appropriate and in accordance with law.

The Controller's Office is empowered to audit claims for mandated costs and to reduce those that are "excessive or unreasonable."<sup>1</sup> This power has been affirmed in recent cases, such as the Incorrect Reductions Claims (IRCs) for the *Graduation Requirements* mandate.<sup>2</sup> If the claimant disputes the adjustments made by the Controller pursuant to that power, the burden is upon them to demonstrate that they are entitled to the full amount of the claim. This principle likewise has been upheld in the *Graduation*

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<sup>1</sup> See Government Code section 17561, subdivisions (d)(1)(C) and (d)(2), and section 17564.

<sup>2</sup> See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 9.

*Requirements* line of IRCs.<sup>3</sup> See also Evidence Code section 500.<sup>4</sup> In this case, the audit determined that the claimant was unable to support that salary costs claimed for several employees were directly attributable to the mandate. The district provided only employee earnings reports from its accounting system, but provided no documentation supporting the validity of the distribution of those costs to the performance of mandated activities. Therefore, these claimed costs are unsupported and thus, disallowed.

The district disputes the benefit rate calculated by the Controller's staff but fails to provide any alternative. The district failed to provide any documentation supporting actual benefit amounts paid to each employee, so the auditor calculated a benefit rate by dividing total benefits claimed by total salaries claimed. In fact, the district's Chief Accountant concurred with this approach.

The Claimant understated authorized health services fees, confusing collected with authorized. The Parameters and Guidelines provide that offsetting savings shall include the amount authorized for student fees. The relevant amount is not the amount charged, nor the amount collected, rather, it is the amount authorized. This is consistent with mandates law in general, and specific case law on point.<sup>5</sup>

Application of the indirect cost rate is also in dispute. Although the indirect cost rate was approved, it was only calculated based upon "direct salaries and wages including all fringe benefits." The district inappropriately applied this indirect cost rate to all costs, including direct services and supplies, other operating expenses, and capital outlay costs. This resulted in an overstatement of indirect costs by \$112,243, which was disallowed by the audit.

The Claimant also asserts that the audit of the 1999-00 and 2000-01 FYs is precluded by the statute of limitations, specifically, Government Code section 17558.5. However, the claimant incorrectly applies the 1996 version of this statute. Even under this inappropriate version, their conclusion is based on an erroneous interpretation that attempts to rewrite that section, adding a deadline for completion of the audit where none exists. Effective July 1, 1996, Section 17558.5 provided that a claim is "subject to audit" for two years after the end of the calendar year in which the reimbursement claim is filed (or last amended). In this case, the claim for 1999-00 was filed on January 10, 2001, and the claim for 2000-01 was filed on January 10, 2002, making the 1999-00 claim subject to audit up through December 31, 2003, and the 2000-01 claim "subject to audit" up to

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<sup>3</sup> See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 16.

<sup>4</sup> "Except as otherwise provided by law, a party has the burden of proof as to each fact the existence or nonexistence of which is essential to the claim for relief or defense that he is asserting."

<sup>5</sup> See *Connell v. Santa Margarita Water District* (1997) 59 Cal.App.4th 382, 400-03.

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December 31, 2004. Although the claimant disputes what constitutes the initiation of an audit, it is clear that the audit was initiated no later than January 2, 2003, when the entrance conference was held. This is well before the earliest deadline of December 31, 2003. Therefore, the audit of the fiscal year 1999-00 was proper, even under the 1996 version of Section 17558.5.

More important is the fact that the 1999-00 and 2000-01 audits were subject to the provisions of Section 17558.8 that were effective on January 1, 2003, not the 1996 version. Unless a statute expressly provides to the contrary, any enlargement of a statute of limitations provision applies to matters pending but not already barred.<sup>6</sup> Under the 1996 version, the claims were subject to audit until December 31, 2003, well after the January 1, 2003, effective date. Therefore, the 2003 provisions of Section 17558.5 are applicable to the claim, requiring that the 1999-00 audit be initiated by January 10, 2004, and the 2000-01 audit be initiated by January 10, 2005. Since the audit of both years was initiated no later than January 2, 2003, when the entrance conference was held, it is valid and enforceable.

Enclosed please find a complete detailed analysis from our Division of Audits, exhibits, and supporting documentation with declaration.

Sincerely,



SHAWN D. SILVA  
Staff Counsel

SDS/ac

Enclosure

cc: Jim Keller, San Mateo County Community College District  
Ginny Brummels, Div. of Acctg. & Rptg., State Controller's Office (w/o encl.)  
Jim Spano, Division of Audits, State Controller's Office (w/o encl.)

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<sup>6</sup> *Douglas Aircraft Co. v. Cranston* (1962) 58 Cal.2d 462, 465. See also, 43 Cal.Jur.3d, Limitations of Actions § 8.

1 **PROOF OF SERVICE**

2 I am employed in the County of Sacramento, State of California. At the time of service, I was at least 18  
3 years of age, a United States citizen employed in the county where the mailing occurred, and not a party to the  
within action. My business address is 300 Capitol Mall, Suite 1850, Sacramento, CA 95814.

4 On April 25, 2008, I served the foregoing document entitled:

5 **SCO'S RESPONSE TO THE INCORRECT REDUCTION CLAIM FOR**  
6 **SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT, CSM 05-4206-I-04**

7 on all interested parties in this action by placing a true and correct copy thereof enclosed in a sealed envelope,  
addressed as follows:

8 Paula Higashi (*original*)  
9 Executive Director  
10 Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Jim Keller, Executive Vice Chancellor  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402

11 Keith B. Petersen, President  
12 SixTen and Associates  
5252 Balboa Avenue, Suite 807  
San Diego, CA 92117

13  **BY MAIL**

14 I placed the envelope for collection and processing for mailing following this business's ordinary practice with  
15 which I am readily familiar. On the same day correspondence is placed for collection and mailing, it is deposited  
in the ordinary course of business with the United States Postal Service.

16  **BY PERSONAL SERVICE**

I caused to be delivered by hand to the above-listed addressees.

17  **BY OVERNIGHT MAIL/COURIER**

18 To expedite the delivery of the above-named document, said document was sent via overnight courier for next day  
delivery to the above-listed party.

19  **BY FACSIMILE TRANSMISSION**

20 In addition to the manner of service indicated above, a copy was sent by facsimile transmission to the above-listed  
party.

21 I declare that I am employed in the office of a member of the bar of this court at whose direction the  
22 service was made. I declare under penalty of perjury under the laws of California that the foregoing is true and  
correct.

23 Executed on April 25, 2008, at Sacramento, California.

24   
25 Amber A. Camarena

**RESPONSE BY THE STATE CONTROLLER'S OFFICE (SCO)  
TO THE INCORRECT REDUCTION CLAIM (IRC) BY  
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT  
Health Fee Elimination Program**

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**TAB 1**

1 **OFFICE OF THE STATE CONTROLLER**

2 300 Capitol Mall, Suite 1850  
3 Sacramento, CA 94250  
4 Telephone No.: (916) 445-6854

4

5

BEFORE THE

6

COMMISSION ON STATE MANDATES

7

STATE OF CALIFORNIA

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9

10 INCORRECT REDUCTION CLAIM ON:

No.: CSM 05-4206-I-04

11

*Health Fee Elimination Program*

AFFIDAVIT OF BUREAU CHIEF

12

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary  
Session, and Chapter 1118, Statutes of 1987

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SAN MATEO COUNTY COMMUNITY  
14 COLLEGE DISTRICT,  
Claimant

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16

I, Jim L. Spano, make the following declarations:

17

1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.

18

2) I am currently employed as a bureau chief, and have been so since April 21, 2000.

19

3) I am a California Certified Public Accountant.

20

4) I reviewed the work performed by the SCO auditor.

21

5) Any attached copies of records are true copies of records, as provided by the San Mateo County Community College District or retained at our place of business.

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6) The records include claims for reimbursement, with attached supporting documentation, explanatory letters, or other documents relating to the above-entitled Incorrect Reduction Claim.

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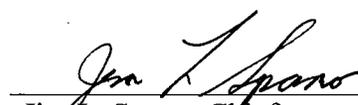
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7) A field audit of the claims for fiscal year (FY) 1999-2000, FY 2000-01, and FY 2001-02 commenced on June 2, 2003, and ended on January 7, 2005.

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Date: November 17, 2006

OFFICE OF THE STATE CONTROLLER

By:   
Jim L. Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
State Controller's Office



**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE  
TO THE INCORRECT REDUCTION CLAIM BY  
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT  
For Fiscal Year (FY) 1999-2000, FY 2000-01, and FY 2001-02**

**Health Fee Elimination Program  
Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session,  
and Chapter 1118, Statutes of 1987**

**SUMMARY**

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim that the San Mateo County Community College District submitted on September 6, 2005. The SCO audited the district's claims for costs of the legislatively mandated Health Fee Elimination Program for the period of July 1, 1999, through June 30, 2002. The SCO issued its final report on January 7, 2005 (**Exhibit D**).

The district submitted reimbursement claims totaling \$1,259,226 as follows.

- FY 1999-2000—\$357,148 (**Exhibit G**)
- FY 2000-01—\$361,031 (**Exhibit G**)
- FY 2001-02—\$541,047 (**Exhibit G**)

The SCO determined that \$241,840 is allowable and \$1,017,386 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs for salaries, benefits, and related services; and understated offsetting revenues. The State paid the district \$562,846. The amount paid in excess of allowable costs claimed totals \$321,006. The following table summarizes the audit results.

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 1999, through June 30, 2000</u>			
Salaries	\$ 552,729	\$ 367,095	\$ (185,634)
Benefits	92,265	61,278	(30,987)
Services and supplies	24,276	24,276	—
Other operating expenses	63,624	63,624	—
Capital outlays	13,491	13,491	—
Subtotals	746,385	529,764	(216,621)
Indirect costs	223,916	128,513	(95,403)
Subtotals, health expenditures	970,301	658,277	(312,024)
Less offsetting savings/reimbursements	613,153	(626,328)	(13,175)
Total costs	<u>\$ 357,148</u>	(31,949)	<u>\$ (325,199)</u>
Less amount paid by the State		<u>(357,148)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (325,199)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries	\$ 550,480	\$ 387,826	\$ (162,654)
Benefits	91,530	64,485	(27,045)
Services and supplies	37,335	37,335	—
Other operating expenses	60,628	60,628	—
Capital outlays	11,131	11,131	—
Subtotals	751,104	561,405	(189,699)
Indirect costs	225,331	135,693	(89,638)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 2000, through June 30, 2001 (continued)</u>			
Subtotals, health expenditures	976,435	697,098	(279,337)
Less offsetting savings/reimbursements	(615,404)	(615,404)	—
Total costs	<u>\$ 361,031</u>	(81,694)	<u>\$ (279,337)</u>
Less amount paid by the State		(111,475)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (29,781)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries	\$ 601,571	\$ 428,365	\$ (173,206)
Benefits	106,283	75,682	(30,601)
Services and supplies	42,558	42,558	—
Other operating expenses	100,573	59,198	(41,375)
Capital outlays	20,530	20,530	—
Subtotals	871,515	626,333	(245,182)
Indirect costs	261,454	151,214	(110,240)
Subtotals, health expenditures	1,132,969	777,547	(355,422)
Less offsetting savings/reimbursements	(591,922)	(649,350)	(57,428)
Total costs	<u>\$ 541,047</u>	128,197	<u>\$ (412,850)</u>
Less amount paid by the State		(94,223)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 33,974</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Salaries	\$ 1,704,780	\$ 1,183,286	\$ (521,494)
Benefits	290,078	201,445	(88,633)
Services and supplies	104,169	104,169	—
Other operating expenses	224,825	183,450	(41,375)
Capital outlays	45,152	45,152	—
Subtotals	2,369,004	1,717,502	(651,502)
Indirect costs	710,701	415,420	(295,281)
Subtotals, health expenditures	3,079,705	2,132,921	(946,784)
Less offsetting savings/reimbursements	(1,820,479)	(1,891,082)	(70,603)
Total costs	<u>\$ 1,259,226</u>	241,840	<u>\$ (1,017,386)</u>
Less amount paid by the State		(562,846)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (321,006)</u>	

The district believes that all salaries, benefits, other operating expenses, and related indirect costs claimed are reimbursable under the mandated program. The district also believes that its indirect cost rates were applied appropriately. In addition, the district believes that the SCO improperly calculated offsetting health service fee revenues. Furthermore, the district believes that the SCO was not authorized to audit the district's FY 1999-2000 and FY 2000-01 claims.

**I. SCO REBUTTAL TO STATEMENT OF DISPUTE—  
CLARIFICATION OF REIMBURSABLE ACTIVITIES, CLAIM CRITERIA,  
AND DOCUMENTATION REQUIREMENTS**

**Parameters and Guidelines**

On August 27, 1987, the Commission on State Mandates (COSM) adopted *Parameters and Guidelines* for Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session. The COSM amended *Parameters and Guidelines* on May 25, 1989 (**Exhibit B**), because of Chapter 1118, Statutes of 1987.

*Parameters and Guidelines* (amended May 25, 1989) identifies the scope of the mandate and the reimbursable activities as follows.

**V. REIMBURSABLE COSTS**

**A. Scope of Mandate**

Eligible community college districts shall be reimbursed for the costs of providing a health services program. Only services provided in 1986-87 fiscal year may be claimed.

**B. Reimbursable Activities**

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year 1986-87. . . . [see **Exhibit B** for a list of reimbursable items.]

*Parameters and Guidelines* (amended May 25, 1989) provides the following claim preparation criteria.

**VI. CLAIM PREPARATION**

**B. Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service**

Claimed costs should be supported by the following information:

**1. Employee Salaries and Benefits**

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, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

**2. Services and Supplies**

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

**3. Allowable Overhead Cost**

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

*Parameters and Guidelines* (amended May 25, 1989) defines supporting data as follows.

**VII. SUPPORTING DATA**

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 for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

*Parameters and Guidelines* (amended May 25, 1989) defines offsetting savings and other reimbursements as follows.

**VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS**

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. This shall include the amount . . . authorized by Education Code Section 72246 for health services [now Education Code Section 76355].

**SCO Claiming Instructions**

The SCO annually issues mandated costs claiming instructions, which contain filing instructions for mandated cost programs. The September 2002 claiming instructions provide instructions for indirect costs (**Tab 3**). The instructions are consistent with the Health Fee Elimination Claim Summary Instructions, Item (5) (**Tab 4**). The September 2002 indirect cost claiming instructions are believed to be, for the purposes and scope of the audit period, substantially similar to the version extant at the time the district filed its FY 1999-2000, FY 2000-01, and FY 2001-02 mandated cost claims.

**II. THE DISTRICT CLAIMED OVERSTATED SALARIES, BENEFITS, AND RELATED INDIRECT COSTS**

Issue

The district overstated salaries and benefits by \$610,217 for the audit period. The related indirect costs total \$183,038. The overstated costs occurred because the district did not adequately support costs charged to the mandated program or provide evidence that certain employees performed any mandate-related activities; or if they performed mandate-related activities, to what extent the activities were performed. The district believes these costs are allowable.

SCO Analysis

The district provided only employee earnings reports from its accounting system in support of costs claimed for salaries and benefits for the audit period. The district allocated individual payroll costs to various departments, but provided no documentation supporting the validity of the distribution of costs made to the mandate. The district did not support the payroll entries with time logs, time studies, or any other corroborating documentation supporting actual time spent.

District's Response

The State Controller asserts that the District "overstated" employee salaries and benefits in the amount of \$610,127 and related indirect costs of \$180,038 for the three fiscal years audited. This amount appears to consist of the disallowance of specific employee time and some mathematical errors to reported salaries of other employees. After the salaries were eliminated or adjusted, the Controller applied an "audited" benefit rate each year to determine benefit costs.

Disallowed Employees

Based on information received during the audit, the employees for whom all salary costs were disallowed are as follows:

<u>Employee Name</u>	<u>Position</u>	<u>Fiscal Year Employee Disallowed</u>		
		<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Ernest Rodriguez	Faculty	x	x	x
Dec Howard	Faculty	x	x	x
Angela Stocker	Faculty	x	x	x
Lawrence Stringari	Faculty	x	x	x
Rosario Car-Casanova	Faculty	x	x	x
Gloria Pena-Bench	Office Assistant	x		
Sheila Claxton	Office Assistant	x		
Roger Hubbard	Unknown			x
Rosemary O'Neil	Unknown			x

Other than stating that the “district did not provide documentation supporting the validity of the distribution” of these employees to the claim, the Controller has not provided a reason each employee was disallowed. Further, if the Controller doesn’t know the position title and job responsibilities of the person being disallowed, there is no factual basis for the disallowance. The propriety of these disallowances cannot be determined until the Controller states why these employees are not relevant to the mandate program.

#### SCO’s Comment

The audit report clearly states the basis for the unallowable costs. The audit report states that the district claimed \$530,342 in salaries based on information reported in its employee earnings report that allocated individual payroll costs to various accounts. The district did not provide documentation supporting the validity of the distribution made to the mandate.

In addition, on October 1, 2004, the SCO e-mailed the district a detailed schedules that show the unallowable employee and benefit costs for each fiscal year (**Tab 5**). The e-mail shows that the SCO attempted to work with the district concerning allocation of costs to the mandate. The district was able to provide job duty statements, job announcements, personnel forms, and salary orders that reasonably supported costs for certain employee salaries and benefits charged to the mandated program. However, the district was not able to support the mandate-related portion of costs claimed for full-time faculty during any of the years audited or for several office assistants in FY 1999-2000. The SCO also requested information concerning the position titles of Roger Hubbard and Rosemary O’Neil. The district did not respond to this request and nor did it indicate what mandated activities these employees performed.

Furthermore, the district, not the SCO, is responsible for showing how costs claimed for these employees are relevant to the mandate. The district has not provided this information to the SCO. In its response to the SCO’s draft audit report (**Exhibit E**), the district did not provide any additional supporting documentation—time logs, time studies, or other corroborating documentation—to support any of the unallowable employee salaries and benefits allocated to the mandated program to show whether these employees even performed any mandate-related activities or, if they did perform mandate-related activities, to what extent they performed these activities.

#### District’s Response

##### “Audited” Benefit Rate

The Controller calculated a benefit rate to be applied to the salaries to determine the total allowable salary and employee benefits for each employee. The rates calculated are 16.69264%, 16.62719%, 17.66762% for fiscal years 1999-00, 2000-01, and 2001-02, respectively. The Controller has not indicated why it was necessary to calculate an average benefit rate when the District reported actual benefit costs in its general ledger, that is, why an average rate is better than actual benefit costs. Further, since the Controller asserts that its claiming instructions have some validity, it should be noted that the claiming instructions allow a “default” benefit rate of 21%, which can be added to direct hourly payroll costs to determine a productive hourly rate. This default rate was used by the Controller for the concurrent audit of the District’s Collective Bargaining program. This raises the question of the need for an “audited” benefit rate when the District reported actual benefit costs for the employees.

#### SCO’s Comment

This was not a finding that was included in the SCO audit report. In addition, the district did not raise any issues concerning the amount of calculated employee benefits during the course of the audit and in its response to the draft audit report. Further, the district’s statement that the SCO’s claiming instructions for the Health Fee Elimination Program allow for a default employee benefit rate of 21% is in error. While claiming instructions for the Collective Bargaining Program do allow for a default benefit rate of 21%, that is not the program under consideration in this proceeding.

The district's average employee benefit rates were calculated for each year of the audit period using information from the district's general ledger. Specifically, the auditor divided total benefits claimed by total claimed salaries for each fiscal year to determine an average benefit rate. The district's Chief Accountant advised the auditor that it would have taken the district a long time to gather the information concerning actual employee benefit amounts claimed for each employee. The district's Chief Accountant advised the auditor to calculate employee benefit rates using total claimed salary and benefit amounts. The district has not provided any documentation supporting actual benefit amounts paid to each individual employee. In addition, the district has not demonstrated why the average benefit rates used do not reasonably reflect actual benefits paid.

#### District's Response

##### "Mathematical Errors"

The Controller asserts that the District understated its salary costs in the amount of \$8,848. While this is a net benefit to the District, the Controller does not disclose the nature of the errors.

#### SCO's Comment

The SCO auditor discussed the adjustments comprising the \$8,848 with the district's Chief Financial Officer during the course of the audit. The district did not comment on this finding in its response to the draft audit report.

During the audit, the auditor compared the claimed salary amounts that were recorded in the district's general ledger to the total of salary amounts paid by the district within its student health program (Program Code #643000) per the employee earnings reports that the district provided. For FY 1999-2000, the district's general ledger showed salary costs of \$552,729, while the details of employee salaries contained in the earnings reports totaled \$563,448, an underclaimed difference of \$10,719. For FY 2000-01 and FY 2001-02, the general ledger indicated salaries of \$550,480 and \$601,570, while the earnings reports showed salary amounts of \$549,883 and \$600,296, respectively. These differences indicated overclaimed salaries of \$597 for FY 2000-01 and \$1,274 for FY 2001-02. Accordingly, the total of underclaimed salaries was \$8,848 during the audit period.

#### District's Response

##### Document Retention Period

One of the stated reasons for the disallowance was that claimants must retain source documentation on file "for a period of no less than three years from the date of the final payment of the claim." No legal citation was provided for this assertion. Indeed, this appears to be a ministerial preference of the Controller's since Government Code Section 17558.5 specifies a two-year or three-year audit period for these fiscal years, depending on the date when the claim is filed, without reference to a requirement for full claim payment.

#### SCO's Comment

The district's statement that one of the SCO's stated reasons for the unallowable costs concerned the retention period for documentation is incorrect. The audit report clearly states the basis for the unallowable costs. The audit report states that the district claimed \$530,342 in salaries based on information reported in its employee earnings report that allocated individual payroll costs to various accounts. The district did not provide documentation supporting the validity of the distribution made to the mandate.

The criteria section of the audit finding does state that "Documentation must be kept on file for a period no less than three years from the date of the final payment of the claim." That information comes from Health Fee Elimination Program's *Parameters and Guidelines*, Section VII., Supporting Data. We are uncertain why the district believes that the documentation requirement is a "ministerial preference" of the SCO.

## District's Response

### Source Documentation

Since no reason related to the mandated activities was stated to explain the disallowance of these specific employees, it appears that the entire basis of the Controller's adjustments is the quantity and quality of the District documentation. The Controller cites the parameters and guidelines which states that "all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs." The audit report states that the District "did not provide documentation supporting the validity of the distribution made to the mandate."

Contrary to the assertion of the audit report, the District has complied with the parameters and guidelines by providing source documents that show evidence of the validity of such costs and their relationship to the state-mandated program. The salary and benefits were reported in the District general ledger in the normal course of financial accounting pursuant to state mandated financial accounting procedures. There are no state mandated financial accounting procedures for mandate program costs because the state has never developed or adopted standards. The Controller has never told claimants the specific documents that would satisfy the Controller's standards. The District has also provided employee names, positions (job titles), hours worked, salary and benefit amounts, and a description of the tasks performed as they relate to this mandate, and in some cases declarations. Thus, the District has provided documentation generated in the usual course of business as well as generated for the purpose of claiming mandate reimbursement.

### SCO's Comment

The district did not provide any additional source documentation or worksheets to refute the finding.

In addition, the district misrepresents the SCO's audit finding by quoting phrases from *Parameters and Guidelines* out of context. The district excluded relevant language. Regarding salaries and benefits, *Parameters and Guidelines* states that districts should "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.]

We agree that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. However, we disagree with the district's statements that "the issue for the State Controller appears to be the quality or quantity of district documentation" or that the district has complied with *Parameters and Guidelines* merely because it "provided documentation generated in the usual course of business." The SCO's audit found that the district claimed unsupported salaries and benefits because the district did not provide documentation to (1) show that the costs claimed for full-time faculty accurately reflected the actual mandate-related time spent; (2) support the actual mandate-related hours spent by various other employees; and (3) show that faculty and various other employees performed any mandate-related activities or, if they performed mandate-related activities, show to what extent they performed these activities. Thus, the district did not comply with *Parameters and Guidelines*.

## District's Response

### Unreasonable or Excessive

None of the adjustments were made because the costs claimed were excessive or unreasonable. The Controller does not assert that the claimed costs were excessive or unreasonable. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only standard in statute (Government Code Section 17561(d)(2)). It would therefore appear that this finding is based upon the wrong standard for review. If the Controller wishes to enforce other audit standards for mandated cost reimbursement, the Controller should comply with the Administrative Procedures Act.

### SCO's Comment

The district's conclusion is erroneous. *Government Code* Section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. *Government Code* Section 17561(d)(2) allows the SCO to audit the district's records to verify actual mandate-related costs and reduce any claim that the SCO determines is excessive or unreasonable. In addition, *Government Code* Section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." Therefore, the SCO has sufficient authority to impose these audit adjustments.

In addition, for the purposes of mandated cost claim audits, claimed costs that are not adequately supported are excessive costs. In the absence of documentation to the contrary, there is no criterion on which we can verify the district's contention that these costs were incurred for any mandate-related activities.

### **III. THE DISTRICT CLAIMED UNALLOWABLE OTHER OUTGOING EXPENSES**

#### Issue

The district overstated other outgoing expenses by \$41,375 for the audit period because it did not provide documentation supporting the validity of the costs claimed.

#### SCO Analysis

The district only supported unallowable costs with amounts recorded on three separate journal voucher transactions. The district did not provide documentation supporting how any of the amounts were derived. Its explanation for the cost was that school general funds were used to offset deficits associated with its health program fund.

#### District's Response

The Controller asserts that "the district overstated other outgoing expense costs..." As a preliminary matter, the Controller should provide the derivation of "outgoing expense costs" which is not described in generally accepted accounting principles. In addition, the Controller should explain the difference between "expenses" and "costs" in the context of mandate reimbursement.

#### SCO's Comment

The district makes no mention whatsoever as to the factual nature of the finding nor does it offer any documentation that supports the three journal voucher entries. "Expenses" and "costs" in the context of this mandate are synonymous terms. The mandate claim form uses the term "Other Outgo Expense." The audit report shows this account as "Other Outgoing Expense" to provide greater clarity to the report reader.

On the final page of each claim submitted by the district for the audit period (**Exhibit G**), a schedule is included entitled "Expenditures by Account Type." Included in this schedule are expenditures recorded by the district for the year within Funds 1 and 3 for the three campuses that it operates. The last line item for both funds is entitled "Other Outgo Expense." The claim filed for FY 2001-02 is where the unsupported amount of \$41,375 is reported. During the audit, we reviewed these expenses, which were recorded within the district's expenditure account #7310.

### III. THE DISTRICT OVERSTATED ITS INDIRECT COSTS

#### Issue

The district overstated its indirect costs by \$112,243 for the audit period because it improperly applied the indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs.

#### SCO Analysis

*Parameters and Guidelines* allows community college districts to claim indirect costs according to the SCO's claiming instructions (**Tab 3**). The claiming instructions require that districts obtain federal approval of Indirect Cost Rate Plans (ICRPs) prepared using the Office of Management and Budget (OMB) Circular A-21 methodology. Alternatively, districts may use the SCO's Form FAM-29C to compute indirect cost rates. Form FAM-29C calculates indirect cost rates using total expenditures reported on the *California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)*. Form FAM-29C eliminates unallowable expenses and segregates the adjusted expenses between those incurred for direct and indirect activities relative to the mandated cost program.

The district claimed indirect costs at a rate of 30%, based on an Indirect Cost Negotiation Agreement between the district and the U.S. Department of Health and Human Services (DHHS). The district's indirect cost rate was prepared using (OMB) Circular A-21 methodology and was applied to FY 1999-2000, FY 2000-01, and FY 2001-02 direct costs. The approval letter to the Indirect Cost Negotiation Agreement received from DHHS, dated February 4, 1999 (**Tab 7**), stated that the district's indirect cost rate was developed using a base consisting of "Direct salaries and wages including all fringe benefits." However, during the audit period, the district improperly applied its indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs.

#### District's Response

The State Controller asserts that the district overstated its indirect costs by \$112,243 for all three fiscal years. This finding is based upon the report's statement that "... the district improperly applied its claimed indirect cost rate to costs beyond those approved by the U.S. Department of Health and Human Services (DHHS) ... the district improperly applied its indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs. ..." While the Controller accepted the 30% indirect cost rate approved by the federal agency, it did not accept the application of the rate to costs other than salary and benefits because the rate was calculated using only salary and benefit costs.

#### Federal Approval

Contrary to the Controller's ministerial preferences, there is no requirement in law that the claimant's indirect cost rate must be "federally" approved, and neither the Commission nor the Controller have ever specified the federal agencies which have the authority to approve indirect cost rates. Further, it should be noted that the Controller did not determine that the District's rate was excessive or unreasonable, just that it wasn't federally approved.

#### Regulatory Requirements

No particular indirect cost rate calculation is required by law. The parameters and guidelines state that "Indirect costs *may be claimed* in the manner described by the Controller in his claiming instructions." The district claimed these indirect costs "in the manner" described by the Controller. The correct forms were used and the claimed amounts were entered at the correct locations. Further, "may" is not "shall"; the parameters and guidelines do not require that indirect costs be claimed in the manner described by the Controller. However, the Controller asserts that the "phrase 'may be claimed' is permissive; it allows the district to claim indirect costs. If the district claims indirect costs, the costs must adhere to the SCO's claiming instructions." The logic is specious. Claimants have the option of filing the *entire* claim for reimbursement and there is no logic to isolating the decision to claim indirect costs as singularly permissive, nor is there language regarding "adhering" to the claiming instructions if such costs are claimed. It is not quite clear what the legal significance of "adhering" to the claiming

instructions means, but since the Controller's claiming instructions were never adopted as law, or regulations pursuant to the Administrative Procedure Act, the claiming instructions are merely a statement of the ministerial interests of the Controller and not law.

#### "Distribution Base"

The Controller asserts the District improperly applied the indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs. The District claimed a federally approved indirect cost rate. Since this rate was calculated using salaries and benefits as the allocation base, the Controller asserts that the rate cannot be applied to any other indirect costs except for salaries and benefits, which would be outside the "distribution base." No cost accounting rationale or legal basis for this peculiar conclusion is provided by the Controller.

The Controller cites an e-mail received on May 21, 2004 from DHHS in which a DHHS Branch Chief is said to have stated that "colleges and universities must adhere to their rate agreement in claiming reimbursement of indirect costs under federal awards." The e-mail is not included in the audit report. It is not known whether the e-mail was solicited by the Controller, to whom it was mailed, so its relevance may be merely anecdotal, and it may be quoted out of context. Notwithstanding, the DHHS e-mail appears to have limited itself to federal awards, which mandates are not. Claimants are subject to whatever state law exists for mandate reimbursement, not federal award cost accounting.

What the Controller does not cite is any law or statute which dictates the operation of indirect cost rates. There is no source which states that a "distribution base" has to be identical to the scope of data used to establish the rate. Nor does the Controller assert that here the costs outside the "distribution base" would not properly accumulate indirect costs, only that they should not accumulate costs because they are not salaries and benefit costs. The Controller should be on notice that cost accounting principles allow indirect cost rates to be established based on a variety of bases: salaries, units of production, revenues, etc., without regard for the scope of the distribution base except that the source of the rate has to be representative of the "distribution base."

#### Unreasonable or Excessive

Government Code Section 17561(d)(2) requires the Controller to pay claims, provided that the Controller may audit the records of any school district to verify the actual amount of the mandated costs, and may reduce any claim that the Controller determines is excessive or unreasonable. The Controller is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable. The parameters and guidelines *do not require* that indirect costs be claimed in the manner described by the State Controller. The State Controller's claiming instructions were never adopted as rules or regulations, and therefore have no force of law. The burden is on the Controller to show, either factually or as a matter of law, that the indirect cost rate method used by the District is excessive or unreasonable, which is the only mandated cost audit standard in statute. If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

#### SCO's Comment

The SCO auditor did not determine that the district's rate was not federally approved, as stated in the district's response. Instead, the auditor determined that the district (in determining applicable mandate indirect costs) did not apply the rate to the same base that was used in developing the rate, i.e., salaries and wages including all fringe benefits.

*Parameters and Guidelines*, Section VI, states, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." The district misinterprets "may be claimed" by concluding that compliance with the claiming instructions is voluntary. Instead, "may be claimed" simply permits the district to claim indirect costs. However, if the district chooses to claim indirect costs, then it must comply with the SCO's claiming instructions. The district's implication that it claimed costs in the manner described by the SCO simply by completing what it interprets to be the correct forms is without merit.

The SCO's claiming instructions state, "A college has the option of using a federally approved rate, utilizing the cost accounting principles from OMB Circular A-21 'Cost Principles for Educational Institutions,' or the Controller's methodology outlined in the following paragraphs [FAM-29C]. . . ."

This instruction is consistent with *Parameters and Guidelines* for other community college district mandated programs, including the following.

- Absentee Ballots
- Collective Bargaining
- Health Benefits for Survivors of Peace Officers and Firefighters
- Law Enforcement College Jurisdiction Agreements
- Mandate Reimbursement Process
- Open Meetings Act
- Photographic Record of Evidence
- Sex Offenders Disclosure by Law Enforcement Officers
- Sexual Assault Response Procedure

In addition, neither this district nor any other district requested that the COSM review the SCO's claiming instructions pursuant to Title 2, *California Code of Regulations* (CCR), Section 1186. Furthermore, the district may not now request a review of the claiming instructions applicable to the audit period. Title 2 CCR Section 1186(j)(2) states, "A request for review filed after the initial claiming deadline must be submitted on or before January 15 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year."

The SCO is not responsible for identifying the district's responsible federal agency. OMB Circular A-21, Appendix A, Part G (11)(a)(1) states (**Tab 6**):

Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds to the educational institution for the most recent three years. . . . In cases where neither HHS nor DOD provides Federal funding to an educational institution, the cognizant agency assignment shall default to HHS.

The district chose to use the federal methodology contained within OMB Circular No. A-21 for the creation of its indirect cost rate; the district had the rate approved by a cognizant federal agency (DHHS), used the rate to claim indirect costs on its mandate reimbursement claim, and now claims that any objections raised in the SCO audit report concerning the application of the rate is without merit because the rate is only applicable to federal programs and not mandated reimbursement claims. The fact remains that, regardless of which methodology the district uses to claim indirect costs in its mandate reimbursement claim, the district must bear the responsibility to calculate the indirect cost rate accurately and apply the rate properly based upon the criteria it used to create the rate.

The district makes the statement that the SCO's finding is unfounded and then uses this forum to explain to the SCO and the COSM about the operation of indirect cost rates without citing any authoritative source for its erroneous conclusions. The district's response appears to indicate that it does not understand the difference between the methodology used to calculate its indirect cost rate and the actual application of the rate.

The underlying support for the creation and application of the district's indirect cost rate appears in Title 2 of the Code of Federal Regulations, specifically 2 CFR, subtitle A, chapter II, part 220, Cost Principles for Educational Institutions (OMB Circular A-21) (**Tab 6**).

The district's approved rate agreement with DHHS, dated February 4, 1999 (**Tab 7**), verifies the district's distribution base as "direct salaries and wages including all fringe benefits." Section 2 of Part H goes on to describe the creation and application of the indirect cost rate under the Simplified procedure – salaries and wages base. The instructions describe the amounts that are included in the numerator and the amounts that are included in the denominator of the indirect cost rate calculation. The amounts in the numerator include indirect salaries and wages and other direct costs claimed as indirect. This would include such categories of costs as services and supplies, other operating expenses, and capital outlay costs. The amounts in the denominator (distribution base) include total

salaries and wages paid to all employees less the amount of indirect salaries and wages included in the numerator of the calculation.

However, the district applied its indirect cost rate to costs beyond those that were included in the distribution base. The application of the district's rate in this manner is excessive because applying the rate to costs outside of the distribution base would result in the district being able to recover more indirect costs than it actually incurred. Part C(4) of Appendix A (Basic Considerations—Allocable costs) notes that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. The district's application of its indirect cost rate to costs outside of the distribution base violates this tenet because the relationship of costs is no longer equitable.

From a purely mathematical perspective, if you develop a ratio of two numbers by dividing one into the other and then apply the resulting ratio to an amount that is greater than the amount in the denominator, the result will be an amount greater than the amount in the numerator. When DHHS calculated the district's indirect cost rate, the amount in the numerator reflected total indirect costs incurred, while the amount in the denominator reflected total salaries and wages, including all fringe benefits less the amount of indirect salaries and wages included in the numerator of the calculation. The resulting ratio should be applied only to direct salaries and wages, including all fringe benefits. If the ratio is applied to a larger amount (as in this instance, by including other categories of direct costs), the result would be higher than the amount in the numerator. In other words, the amount would be greater than total indirect costs incurred. Mandated cost reimbursement is limited to actual costs incurred.

*Government Code* Section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. *Government Code* Section 17561(d)(2) allows the SCO to audit the district's records to verify actual mandate-related costs and reduce any claim that the SCO determines is excessive or unreasonable. In addition, *Government Code* Section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." Therefore, the district's contention that the SCO "is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable" is without merit.

Nevertheless, the SCO did conclude that the district's claimed indirect costs were excessive. "Excessive" is defined as "exceeding what is usual, proper, necessary, or normal. . . . Excessive implies an amount or degree too great to be reasonable or acceptable. . . ."<sup>1</sup>

<sup>1</sup> Merriam-Webster's Collegiate Dictionary, Tenth Edition, © 2001.

#### **IV. UNDERSTATED AUTHORIZED HEALTH FEE REVENUES CLAIMED**

##### Issue

For the audit period, the district understated authorized health service fees by \$70,603 because it understated authorized health service fees and reported fees collected rather than fees it was authorized to collect.

The district understated authorized health service fee amounts by \$1 for the summer semester of FY 1999-2000 and for all three semesters of FY 2001-02. The district reported health service fees for the summer semester of FY 1999-2000 based on a fee amount of \$7 per student, while the actual authorized fee amount was \$8 per student. The district reported \$8 per student for summer semester and \$11 per student for fall and spring semesters of FY 2001-02. The actual authorized fees for FY 2001-02 were \$9 per student for summer semester and \$12 per student for fall and spring semesters.

## SCO Analysis

*Parameters and Guidelines* requires districts to deduct authorized health service fees from costs claimed. *Education Code* Section 76355(c) authorizes health service fees for all students except those who: (1) depend exclusively on prayer for healing; (2) attend a community college under an approved apprenticeship training program; or (3) demonstrate financial need. (Effective with the summer of 1997, authorized health service fees, pursuant to *Education Code* Section 76355, were \$8 per student for summer semester and \$11 per student for the fall and spring semesters. Effective with the summer 2001 session, *Education Code* Section 76355(a) authorized a \$1 increase to health service fees.)

*Government Code* Section 17514 defines “costs mandated by the state” as 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, *Government Code* Section 17556 states that COSM 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.

## District’s Response

This finding is based upon the report’s statement that the District understated offsetting health fee revenues by \$70,603 due to an authorized \$1 increase in health fees that was not charged for the FY 1999-2000 summer semester and for all three semesters of FY 2001-02. The adjustments are based on the Controller’s recalculation of the student health services fees which may have been “collectible” which was then compared to the District’s student health fee revenues actually received. The Controller alleges that claimants must compute the total student health fees collectible and reduce claimed costs by this amount even if those fees are not collected in full or part.

### Education Code Section 76355

*Education Code* Section 76355, subdivision (a), in relevant part, provides: “The governing board of a district maintaining a community college *may require* community college students to pay a fee . . . for health supervision and services. . . .” There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states “*If, pursuant to this Section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.*”

### Parameters and Guidelines

This Controller states that “Parameters and Guidelines” states that health fees authorized by the *Education Code* must be deducted from costs claimed.” The parameters and guidelines do not state this but instead state:

Any offsetting savings that 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. This shall include the amount of [student fees] as authorized by *Education Code* 72246(a). [Former *Education Code* Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by *Education Code* Section 76355.]

In order for the district to “experience” these “offsetting savings” the district must actually have collected these fees. Student fees actually collected must be used to offset costs, but not student fees that could have been collected and were not. The use of the term “any offsetting savings” further illustrates the permissive nature of the fees.

### Government Code Section 17514

The Controller relies upon *Government Code* Section 17514 for the conclusion that “[t]o the extent community college districts can charge a fee, they are not required to incur a cost.” *Government Code* Section 17514, as added by Chapter 1459, Statutes of 1984, actually states:

‘Costs mandated by the state’ means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new

program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

There is nothing in the language of the statute regarding the authority to charge a fee, any nexus of fee revenue to increased cost, nor any language which describes the legal effect of fees collected. Furthermore, *Parameters and Guidelines* does not include a provision for bad debt accounts related to health service fees.

#### Government Code Section 17556

The Controller relies upon Government Code Section 17556 for the conclusion that “the COSM 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 higher level of service.” Government Code Section 17556 as last amended by Chapter 589/89 actually states:

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if after a hearing, the commission finds that: . . .

(d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. . . .

The Controller misrepresents the law. Government Code Section 17556 prohibits the Commission on State Mandates from finding costs subject to reimbursement, that is, approving a test claim activity for reimbursement, where there is authority to levy fees in an amount sufficient to offset the entire mandated costs. Here, the Commission has already approved the test claim and made a finding of a new program or higher level of service for which the claimants do not have the ability to levy a fee in an amount sufficient to offset the entire mandated costs.

#### Student Health Services Fee Account

The Controller asserts that the district should have collected a student health service fee each semester from non-exempt students in the amount of \$8, \$9, or \$12 depending on the fiscal year and whether the student is enrolled full time or part time. Districts receive notice of these fee amounts from the Chancellor of the California Community Colleges. An example of one such notice is the letter dated March 5, 2001, attached a Exhibit “F.” While Education Code Section 76355 provides for an increase in the student health fee, it did not grant the Chancellor the authority to establish mandatory fee amounts or mandatory fee increases. No state agency was granted that authority by the Education Code, and no state agency has exercised its rulemaking authority to establish mandatory fee amounts. It should be noted that the Chancellor’s letter properly states that increasing the amount of the fee is at the option of the district, and that the Chancellor is not asserting that authority. Therefore, the Controller cannot rely upon the Chancellor’s notice as a basis to adjust the claim for “collectible” student health services fees.

#### Fees Collected vs. Fees Collectible

This issue is one of student health fees revenue actually received, rather than student health fees which might be collected. The Commission determine, as stated in the parameters and guidelines, that the student fees “experienced” (*collected*) would reduce the amount subject to reimbursement. Student fees not collected are student fees not “experienced” and as such should not reduce reimbursement. Further, the amount “collectible” will never equal actual revenues collected due to changes in student’s BOGG eligibility, bad debt accounts, and refunds.

Because districts are not required to collect a fee from students for student health services, and if such a fee is collected, the amount is to be determined by the District and not the Controller, the Controller’s adjustment is without legal basis. What claimants are required by the parameters and guidelines to do is to reduce the amount of their claimed costs by the amount of student health fee revenue actually received. Therefore, student health fees are merely collectible, they are not mandatory, and it is inappropriate to reduce claim amounts by revenues not received.

#### SCO’s Comment

We agree that community college districts may choose not to levy a health service fee. However, *Education Code* Section 76355(a) provides districts the authority to levy a health service fee. *Education Code* Section 76355(c) specifies the authorized fees. We also agree that the California Community Colleges Chancellor’s Office (CCCCO) does not have the authority to establish

mandatory fee amounts or mandatory fee increases. The CCCCCO merely notifies districts of changes to the authorized fee amount, pursuant to *Education Code* Section 76355(a).

Regardless of the district's decision to levy or not levy a health service fee, the district does have the authority to levy the fees. In addition, contrary to the district's response, the SCO made no distinction between full-time or part-time students regarding the authorized health service fee. Districts are authorized to levy the full fee amount to both part-time and full-time students. *Government Code* Section 17514 states that "costs mandated by the state" means any increased costs that a school district is required to incur. Furthermore, *Government Code* Section 17556(d) states that the COSM 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 Health Fee Elimination mandated program, the COSM clearly recognized the availability of another funding source by including the fees as offsetting savings in *Parameters and Guidelines*, Section VIII (amended May 25, 1989). To the extent districts have authority to charge a fee, they are not required to incur a cost.

The district misrepresents the COSM's determination regarding authorized health service fees. The COSM's staff analysis of May 25, 1989, regarding the proposed *Parameters and Guidelines* amendments (**Tab 8**), states:

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of [the] fee authority.

In response to that amendment, the DOF [Department of Finance] has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied.

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII.

Thus, it is clear that the COSM's intent was to require claimants to deduct authorized health service fees from mandate-reimbursable costs claimed. Furthermore, the staff analysis included an attached letter from the CCCCCO, dated April 3, 1989. In that letter, the CCCCCO concurred with the DOF and the COSM regarding authorized health service fees.

Since the COSM's staff concluded that DOF's proposed language did not substantively change the scope of its proposed language, the COSM staff did not further revise the proposed *Parameters and Guidelines*. The COSM's meeting minutes of May 25, 1989 (**Tab 9**) show that the COSM adopted the proposed *Parameters and Guidelines* on consent, with no additional discussion. Therefore, there was no change to the COSM's interpretation regarding authorized health service fees.

Two court cases addressed the issue of fee authority.<sup>2</sup> Both cases concluded that "costs," as used in the constitutional provision, excludes "expenses that are recoverable from sources other than taxes." In both cases, the source other than taxes was the fee authority.

<sup>2</sup> *County of Fresno v. California* (1991) 53 Cal. 3d 482; *Connell v. Santa Margarita* (1997) 59 Cal. App. 4th 382.

The district also states, "the amount 'collectible' will never equal actual revenues collected due to changes in a student's BOGG eligibility, bad debt accounts, and refunds." The SCO calculated authorized health service fees based on the district's records of enrollment and BOGG grants. The district is responsible for providing accurate enrollment and BOGG grant data, including any changes that result from BOGG grant eligibility or students who disenroll. Consistent with OMB Circular A-21, Part J (6), the district is responsible for any bad debt accounts.

## V. STATUTE OF LIMITATIONS FOR AUDIT

### Issue

Based on the statute of limitations for audit, the district believes the SCO had no authority to assess audit adjustments for FY 1999-2000 and FY 2000-01.

### SCO Analysis

*Government Code* Section 17558.5(a), effective July 1, 1996, states that a district's reimbursement claim is subject to audit no later than two years after the end of the calendar year in which the claim is filed or last amended. The district filed its FY 1999-2000 claim on January 15, 2001, and filed its FY 2000-01 claim on January 15, 2002. Therefore, these claims were subject to audit until December 31, 2003, and December 31, 2004, respectively. The SCO conducted an audit entrance conference on June 2, 2003. Therefore, the SCO initiated an audit well within the period that both claims were subject to audit.

### District's Response

This issue is not a finding of the Controller. The District asserts that the first two years of the three claim years audited, fiscal years 1999-00 and 2000-01, were beyond the statute of limitations for audit when the Controller completed issued its audit report on January 7, 2005.

### Chronology of Claim Action Dates

January 10, 2001	FY 1999-00 claim filed by the District
January 10, 2002	FY 2000-01 claim filed by the District . . .
December 31, 2003	FY 1999-00 statute of limitations for audit expires
December 31, 2004	FY 2000-01 statute of limitations for audit expires
January 7, 2005	Controller's final audit report issued

The District's fiscal year 1999-00 claim was mailed to the Controller on January 10, 2001. The District's fiscal year 2000-01 claim was mailed to the Controller on January 10, 2002. According to *Government Code* Section 17558.5, these claims were subject to audit no later than December 31, 2003 and December 31, 2004. The audit was not completed by this date. Therefore, the proposed audit adjustments for fiscal years 1999-00 and 2000-01 are barred by the statute of limitations set forth in *Government Code* Section 17558.5.

### Statutory History

Prior to January 1, 1994, no statute specifically governed the statute of limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906, Section 2, operative January 1, 1994, added *Government Code* Section 17558.5 to establish for the first time a specific statute of limitations for audit of mandate reimbursement claims:

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than four years after the end of the calendar year in which the reimbursement claim is filed or last amended. However, if no funds are appropriated for the program for the fiscal year for which the claim is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

Thus, there are two standards. A funded claim is "subject to audit" for four years after the end of the calendar year in which the claim was filed. An "unfunded" claim must have its audit "initiated" within four years of first payment.

Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and replaced Section 17558.5, changing only the period of limitations:

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. However, if no funds are appropriated for the program for the fiscal year for which the claim was made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

The first two fiscal year claims, 1999-00 and 2000-01, are subject to the two-year statute of limitations established by Chapter 945/95. These two claims were beyond audit when the audit report was issued. Since funds were appropriated for the program for all fiscal years which are the subject of the audit, the alternative measurement date is not applicable, and the potential factual issue of when the audit is initiated is not relevant.

Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003 amended Section 17558.5 to state:

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the ~~end of the calendar year in which the~~ date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is ~~made~~ filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

The third fiscal year claim, FY 2001-02, is subject to this amended version of Section 17558.5, and was still subject to audit at the time the audit report was released. The amendment is pertinent since it indicates this is the first time that the factual issue of the date the audit is “initiated” for mandate programs for which funds are appropriated is introduced. Therefore, at the time the claim is filed, it is impossible for the claimant to know when the statute of limitations will expire, which is contrary to the purposes of a statute of limitations.

Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended Section 17558.5 to state:

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

None of the fiscal period claims which are the subject of the audit are subject to this amended version of Section 17558.5. The amendment is pertinent since it indicates this is the first time that the Controller audits may be completed at a time other than the stated period of limitations.

Clearly, the Controller did not complete the audit within the statutory period allowed for the first two fiscal year claims included in this audit. The audit findings are therefore void for those two claims.

### SCO's Comment

The SCO initiated the audit of FY 1999-2000 and FY 2000-01 claims on June 2, 2003, which is prior to the deadline for auditing the claim of December 31, 2003, for FY 1999-2000 and December 31, 2002, for FY 2000-01.

The district believes that the audit initiation date is not relevant because the phrase “initiate an audit” is not specifically stated in the *Government Code* language applicable to these claims. Instead, the district believes the audit report date is relevant. In particular, the district believes that Chapter 890, Statutes of 2004 is pertinent because “it indicates this is the first time that the Controller audits may be completed at a time other than the stated period of limitations.” This is an erroneous conclusion; before Chapter 890, Statutes of 2004, there was no statutory language defining when the SCO must complete an audit.

As of July 1, 1996, *Government Code* Section 17558.5(a) stated, “A reimbursement claim. . . is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. . . .” In construing statutory language, we are to “ascertain the intent of the Legislature so as to effectuate the purpose of the law.” (*Dyna-Med., Inc. v. Fair Employment and Housing Com.* [(1987)] 43 Cal.3d 1379, 1386.) In doing so, we look first to the statute’s words, giving them their usual and ordinary meaning. (*Committee of Seven Thousand v. Superior Court* [(1988)] 45 Cal. 3d 491, 501.)

In *Government Code* Section 17558.5(a), the words “subject to” mean that the district is “in a position or circumstance that places it under the power or authority of another.”<sup>3</sup> The SCO exercised its authority to audit the district’s claims by conducting the audit entrance conference within the statute of limitations. There is no statutory language that requires the SCO to publish a final audit report before the two-year period expires.

<sup>3</sup> Source: American Heritage Dictionary of the English Language, Fourth Edition © 2000.

As of January 1, 2003, *Government Code* Section 17558.5(a) was amended to state, “A reimbursement claim . . . is subject to the initiation of an audit by the Controller no later than three years after the reimbursement claim is filed or last amended, whichever is later. . . .” [Emphasis added.] While the amendment does not define the start of an audit, the phrase “initiation of an audit” implies the first step taken by the SCO. Construing the statutory language to permit the SCO’s initial contact as the audit’s initiation is consistent with the statutory language as well as subsequent amendments. To read the statute as requiring that the SCO publish a final audit report would be to read into the statute provisions that do not exist.

The fundamental purpose underlying statute of limitations is “to protect the defendants from having to defend stale claims by providing notice in time to prepare a fair defense on the merits.” (*Downs v. Department of Water & Power* [(1977)] 58 Cal. App. 4<sup>th</sup> 1093.) Here, the SCO exercised its authority to audit the district’s claims by conducting the audit entrance conference on June 2, 2003, well before the statute of limitations expired for the FY 1999-2000 claim (December 31, 2003) and for the FY 2001-02 claim (December 31, 2004).

## VI. CONCLUSION

The SCO audited the San Mateo County Community College District’s claims for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 1999, through June 30, 2002. The district claimed \$1,259,226 for the mandated program. Our audit disclosed that \$241,840 is allowable and \$1,017,386 is unallowable. The district claimed unsupported costs for salaries, benefits, and related costs; and understated offsetting revenues.

The district claimed unallowable salaries, benefits, and related indirect costs totaling \$793,165 for the audit period. For various employees, the district did not support costs charged to the mandated program or provide evidence that the employees performed mandate-related activities. Included in the finding were mathematical errors made by the district when preparing the claim that resulted in understated salary costs of \$8,848.

The district claimed unallowable other outgoing expenses of \$41,375 for the audit period because it did not support costs allocated to the mandated program or show how they related to the mandated program.

The district overstated its indirect costs by \$112,243 for the audit period because it improperly applied the indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs.

The district understated authorized health service fees by \$70,603 for the audit period because it understatement authorized health service fees collected rather than fees it was authorized to collect..

In addition, the SCO initiated the audit of FY 1999-2000 and FY 2000-01 prior to the deadline for the claims to be audited.

In conclusion, the COSM should find that: (1) the SCO had authority to audit the district's claims for FY 1999-2000 and FY 2000-01; (2) the SCO correctly reduced the district's FY 1999-2000 claim by \$325,199; (3) the SCO correctly reduced the district's FY 2000-01 claim by \$279,337; and (4) the SCO correctly reduced the district's FY 2001-02 claim by \$412,850.

**IX. CERTIFICATION**

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on November 19, 2006, at Sacramento, California, by:

  
\_\_\_\_\_  
Jim L. Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
State Controller's Office



**B. Indirect Cost**

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

**(1) Indirect Costs for Schools**

School districts and county superintendents of schools may claim indirect costs incurred for mandated costs. For fiscal years prior to 1986-87, school districts and county superintendents of schools may use the Department of Education Form Nos. J41A or J-73A, respectively, applicable to the fiscal year of the claim. The rate, however, must not be applied to items of direct costs claimed in complying with the mandate if those same costs are included in cost centers identified as General Support (i.e., EDP Codes 400, 405, 410 in Column 3). For the 1986-87 and subsequent fiscal years, school districts and county superintendents of schools may use the Annual Program Cost Data Report, Department of Education Form Nos. J-380 or J-580, respectively, applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by direct costs not included in total support services EDP No. 422 of the J-380 or J-580. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

**(2) Indirect Cost Rate for Community Colleges**

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 methodology outlined in the following paragraphs. If the federal rate is used, it must be from the same fiscal year in which the costs were incurred.

The Controller allows the following methodology for use by community colleges in computing an indirect cost rate for state mandates. The objective of this computation is to determine an equitable rate for use in allocating administrative support to personnel that performed the mandated cost activities claimed by the community college. This methodology assumes that administrative services are provided to all activities of the institution in relation to the direct costs incurred in the performance of those activities. Form FAM-29C has been developed to assist the community college in computing an indirect cost rate for state mandates. Completion of this form consists of three main steps:

- The elimination of unallowable costs from the expenses reported on the financial statements.
- The segregation of the adjusted expenses between those incurred for direct and indirect activities.
- The development of a ratio between the total indirect expenses and total direct expenses incurred by the community college.

The computation is based on total expenditures as reported in "California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)." Expenditures classified by activity are segregated by the function they serve. Each function may include expenses for salaries, fringe benefits, supplies, and capital outlay. OMB Circular A-21 requires expenditures for capital outlays to be excluded from the indirect cost rate computation.

Generally, a direct cost is one incurred specifically for one activity, while indirect costs are of a more general nature and are incurred for the benefit of several activities. As previously noted, the objective of this computation is to equitably allocate administrative support costs to personnel that perform mandated cost activities claimed by the college. For the purpose of this computation we have defined indirect costs to be those costs which provide administrative support to personnel who perform mandated cost activities. We have defined direct costs to be those indirect costs that do not provide administrative support to personnel who perform mandated cost activities and those costs that are directly related to instructional activities of the college. Accounts that should be classified as indirect costs are: Planning and Policy Making, Fiscal Operations, General Administrative Services, and Logistical Services. If any costs included in these accounts are claimed as a mandated cost, i.e., salaries of employee performing mandated cost activities, the cost should be reclassified as a direct cost. Accounts in the following groups of accounts should be classified as direct costs: Instruction, Instructional Administration, Instructional Support Services, Admissions and Records, Counseling and Guidance, Other Student Services, Operation and Maintenance of Plant, Community Relations, Staff Services, Non-instructional Staff-Retirees' Benefits and Retirement Incentives, Community Services, Ancillary Services and Auxiliary Operations. A college may classify a portion of the expenses reported in the account Operation and Maintenance of Plant as indirect. The claimant has the option of using a 7% or a higher expense percentage is allowable if the college can support its allocation basis.

The rate, derived by determining the ratio of total indirect expenses and total direct expenses when applied to the direct costs claimed, will result in an equitable distribution of the college's mandate related indirect costs. An example of the methodology used to compute an indirect cost rate is presented in Table 4.

Table 4 Indirect Cost Rate for Community Colleges

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES						FORM FAM-29C
(01) Claimant			(02) Period of Claim			
(03) Expenditures by Activity			(04) Allowable Costs			
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
Subtotal Instruction	599	\$19,590,357	\$1,339,059	\$18,251,298	\$0	\$18,251,298
Instructional Administration	6000					
Academic Administration	301	2,941,386	105,348	2,836,038	0	2,836,038
Course Curriculum & Develop.	302	21,595	0	21,595	0	21,595
Instructional Support Service	6100					
Learning Center	311	22,737	863	21,874	0	21,874
Library	312	518,220	2,591	515,629	0	515,629
Media	313	522,530	115,710	406,820	0	406,820
Museums and Galleries	314	0	0	0	0	0
Admissions and Records	6200	584,939	12,952	571,987	0	571,987
Counseling and Guidance	6300	1,679,596	54,401	1,625,195	0	1,625,195
Other Student Services	6400					
Financial Aid Administration	321	391,459	20,724	370,735	0	370,735
Health Services	322	0	0	0	0	0
Job Placement Services	323	83,663	0	83,663	0	83,663
Student Personnel Admin.	324	289,926	12,953	276,973	0	276,973
Veterans Services	325	25,427	0	25,427	0	25,427
Other Student Services	329	0	0	0	0	0
Operation & Maintenance	6500					
Building Maintenance	331	1,079,260	44,039	1,035,221	0	1,035,221
Custodial Services	332	1,227,668	33,677	1,193,991	0	1,193,991
Grounds Maintenance	333	596,257	70,807	525,450	0	525,450
Utilities	334	1,236,305	0	1,236,305	0	1,236,305
Other	339	3,454	3,454	0	0	0
Planning and Policy Making	6600	587,817	22,451	565,366	565,366	0
General Inst. Support Services	6700					
Community Relations	341	0	0	0	0	0
Fiscal Operations	342	634,605	17,270	617,335	553,184	(a) 64,151
Subtotal		\$32,037,201	\$1,856,299	\$30,180,902	\$1,118,550	\$29,062,352

Table 4 Indirect Cost Rate for Community Colleges (continued)

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES						FORM FAM-29C
(01) Claimant				(02) Period of Claim		
(03) Expenditures by Activity				(04) Allowable Costs		
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
General Inst. Sup. Serv. (cont.)	6700					
Administrative Services	343	\$1,244,248	\$219,331	\$1,024,917	\$933,494	(a) \$91,423
Logistical Services	344	1,650,889	126,935	1,523,954	1,523,954	0
Staff Services	345	0	0	0	0	0
Noninstr. Staff Benefit & Incent.	346	10,937	0	10,937	0	10,937
Community Services	6800					
Community Recreation	351	703,858	20,509	683,349	0	683,349
Community Service Classes	352	423,188	24,826	398,362	0	398,362
Community Use of Facilities	353	89,877	10,096	79,781	0	79,781
Ancillary Services	6900					
Bookstores	361	0	0	0	0	0
Child Development Center	362	89,051	1,206	87,845	0	87,845
Farm Operations	363	0	0	0	0	0
Food Services	364	0	0	0	0	0
Parking	365	420,274	6,857	413,417	0	413,417
Student Activities	3663	0	0	0	0	0
Student Housing	67	0	0	0	0	0
Other	379	0	0	0	0	0
Auxiliary Operations	7000					
Auxiliary Classes	381	1,124,557	12,401	1,112,156	0	1,112,156
Other Auxiliary Operations	382	0	0	0	0	0
Physical Property Acquisitions	7100	814,318	814,318	0	0	0
(05) Total		\$38,608,398	\$3,092,778	\$35,515,620	\$3,575,998	\$31,939,622
(06) Indirect Cost Rate: (Total Indirect Cost/Total Direct Cost)				11.1961%		
(07) Notes						
(a) Mandated Cost activities designated as direct costs per claim instructions.						

**TAB 4**

## HEALTH FEE ELIMINATION

### 1. Summary of Chapters 1/84, 2nd E.S., and Chapter 1118/87

Chapter 1, Statutes of 1984, 2nd E.S., repealed Education Code § 72246 which authorized community college districts to charge a fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required community college districts that charged a fee in the 1983/84 fiscal year to maintain that level of health services in the 1984/85 fiscal year and each fiscal year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community college districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987 amended Education Code § 72246 to require any community college district that provided health services in the 1986/87 fiscal year to maintain health services at that level in the 1986/87 fiscal year and each fiscal year thereafter. Chapter 8, Statutes of 1993, has revised the numbering of § 72246 to § 76355.

### 2. Eligible Claimants

Any community college district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

### 3. Appropriations

To determine if current funding is available for this program, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to community college presidents.

### 4. Types of Claims

#### A. Reimbursement and Estimated Claims

A claimant may file a reimbursement claim and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

#### B. Minimum Claim

Section 17564(a), Government Code, provides that no claim shall be filed pursuant to Section 17561 unless such a claim exceeds \$200 per program per fiscal year.

### 5. Filing Deadline

- (1) Refer to item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30, of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30, of the following fiscal year regardless whether the payment was more or less than the actual costs. If the local agency fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the local agency may file a reimbursement

claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

#### 6. Reimbursable Components

Eligible claimants will be reimbursed for health service costs at the level of service provided in the 1986/87 fiscal year. The reimbursement will be reduced by the amount of student health fees authorized per the Education Code § 76355.

After January 1, 1993, pursuant to Chapter 8, Statutes of 1993, the fees students were required to pay for health supervision and services were not more than:

\$10.00 per semester

\$5.00 for summer school

\$5.00 for each quarter

Beginning with the summer of 1997, the fees are:

\$11.00 per semester

\$8.00 for summer school or

\$8.00 for each quarter

The district may increase fees by the same percentage increase as the Implicit Price Deflator (IPD) for the state and local government purchase of goods and services. Whenever the IPD calculates an increase of one dollar (\$1) above the existing amount, the fees may be increased by one dollar (\$1).

#### 7. Reimbursement Limitations

- A. If the level at which health services were provided during the fiscal year of reimbursement is less than the level of health services that were provided in the 1986/87 fiscal year, no reimbursement is forthcoming.
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate, shall be identified and deducted so only net local costs are claimed.

#### 8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HFE-1.0, HFE-1.1, and form HFE-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

**A. Form HFE- 2, Health Services**

This form is used to list the health services the community college provided during the 1986/87 fiscal year and the fiscal year of the reimbursement claim.

**B. Form HFE-1.1, Claim Summary**

This form is used to compute the allowable increased costs an individual college of the community college district has incurred to comply with the state mandate. The level of health services reported on this form must be supported by official financial records of the community college district. A copy of the document must be submitted with the claim. The amount shown on line (13) of this form is carried to form HFE-1.0.

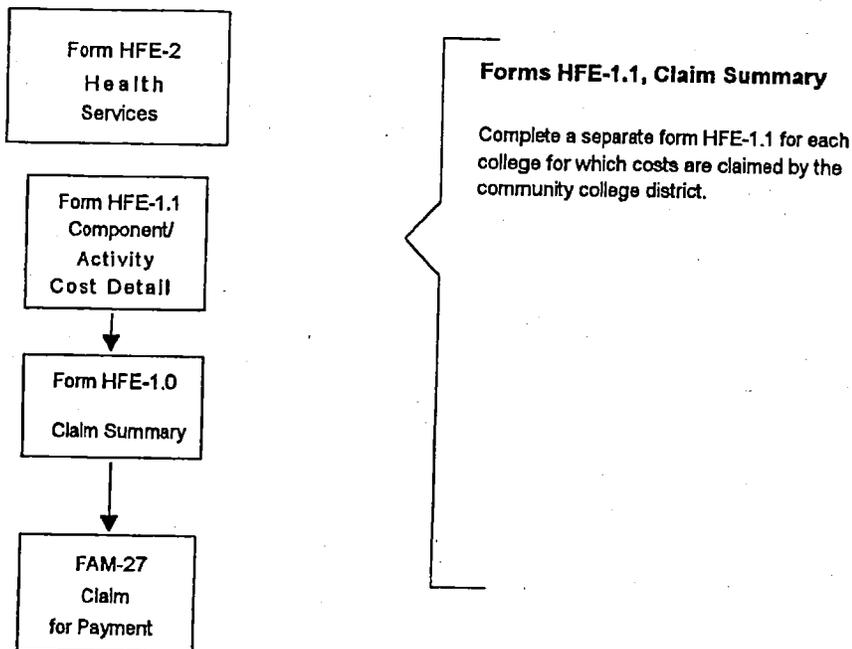
**C. Form HFE-1.0, Claim Summary**

This form is used to list the individual colleges that had increased costs due to the state mandate and to compute a total claimable cost for the district. The "Total Amount Claimed", line (04) on this form is carried forward to form FAM-27, line 13, for the reimbursement claim, or line (07) for the estimated claim.

**D. Form FAM-27, Claim for Payment**

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HFE-1.0 and HFE 1.1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

**Illustration of Claim Forms**



<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561  <b>HEALTH FEE ELIMINATION</b>	For State Controller Use Only (19) Program Number 00029 (20) Date Filed ____/____/____ (21) LRS Input ____/____/____	Program  <b>029</b>
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L A B E L  H E R E	(01) Claimant Identification Number	<b>Reimbursement Claim Data</b>	
	(02) Claimant Name	(22) HFE-1.0, (04)(b)	
	County of Location	(23)	
	Street Address or P.O. Box <span style="float: right;">Suite</span>	(24)	
	City <span style="float: right;">State</span> <span style="float: right;">Zip Code</span>	(25)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
<b>Fiscal Year of Cost</b>	(06) <b>20</b> ___/20 ___	(12) <b>20</b> ___/20 ___	(30)
<b>Total Claimed Amount</b>	(07)	(13)	(31)
<b>Less: 10% Late Penalty, not to exceed \$1,000</b>		(14)	(32)
<b>Less: Prior Claim Payment Received</b>		(15)	(33)
<b>Net Claimed Amount</b>		(16)	(34)
<b>Due from State</b>	(08)	(17)	(35)
<b>Due to State</b>		(18)	(36)

**(37) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, set forth on the attached statements.

Signature of Authorized Officer \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
 Type or Print Name \_\_\_\_\_ Title \_\_\_\_\_

(38) Name of Contact Person for Claim \_\_\_\_\_ Telephone Number ( ) - Ext. \_\_\_\_\_

\_\_\_\_\_ E-Mail Address \_\_\_\_\_

<b>Program</b> <b>029</b>	<b>HEALTH FEE ELIMINATION</b> <b>Certification Claim Form</b> <b>Instructions</b>	<b>FORM</b> <b>FAM-27</b>
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- (01) Leave blank.
- (02) A set of mailing labels with the claimant's I.D. number and address was enclosed with the letter regarding the claiming instructions. The mailing labels are designed to speed processing and prevent common errors that delay payment. Affix a label in the space shown on form FAM-27. Cross out any errors and print the correct information on the label. Add any missing address items, except county of location and a person's name. If you did not receive labels, print or type your agency's mailing address.
- (03) If filing an original estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing an original estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended or combined claim, enter an "X" in the box on line (05) Amended. Leave boxes (03) and (04) blank.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form HFE-1.0 and enter the amount from line (04)(b).
- (08) Enter the same amount as shown on line (07).
- (09) If filing an original reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing an original reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended or a combined claim on behalf of districts within the county, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of reimbursement claim from form HFE-1.0, line (04)(b).
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs are incurred or the claims shall be reduced by a late penalty. Enter either the product of multiplying line (13) by the factor 0.10 (10% penalty) or \$1,000, whichever is less.
- (15) If filing a reimbursement claim and a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16) Net Claimed Amount is positive, enter that amount on line (17) Due from State.
- (18) If line (16) Net Claimed Amount is negative, enter that amount in line (18) Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., HFE-1.0, (04)(b), means the information is located on form HFE-1.0, line (04), column (b). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. Completion of this data block will expedite the payment process.
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. Claims cannot be paid unless accompanied by a signed certification.
- (38) Enter the name, telephone number, and e-mail address of the person whom this office should contact if additional information is required.

**SUBMIT A SIGNED, ORIGINAL FORM FAM-27 WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS (NO COPIES NECESSARY) TO:**

*Address, if delivered by U.S. Postal Service:*

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 P.O. Box 942850  
 Sacramento, CA 94250

*Address, if delivered by other delivery service:*

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 3301 C Street, Suite 500  
 Sacramento, CA 95816

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 19__/19__
<b>(03) List all the colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College	(b) Claimed Amount	
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
<b>(04) Total Amount Claimed</b>	[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]	

<p style="text-align: center;"><b>HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions</b></p>	<p style="text-align: center;"><b>FORM HFE-1.0</b></p>
---	--

(01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office on behalf of its colleges.

(02) Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which the expenses were/are to be incurred. A separate claim must be filed for each fiscal year.

Form HFE-1.0 must be filed for a reimbursement claim. Do not complete form HFE-1.0 if you are filing an estimated claim and the estimate is not more than 110% of the previous fiscal year's actual costs. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, forms HFE-1.0 and HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) List all the colleges of the community college district which have increased costs. A separate form HFE-1.1 must be completed for each college showing how costs were derived.

(04) Enter the total claimed amount of all colleges by adding the Claimed Amount, line (3.1b) + line (3.2b) ...+ (3.21b).

<b>MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY</b>	<b>FORM HFE-1.1</b>
--	-------------------------

(01) Claimant	(02) Type of Claim  Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year  19__/19__
---------------	--	------------------------------

(03) Name of College

(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1986/87 fiscal year. If the "Less" box is checked, STOP, do not complete the form. No reimbursement is allowed.

LESS       SAME       MORE

	Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim			
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87			
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]			

(08) Complete columns (a) through (g) to provide detail data for health fees

Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student per Educ. Code § 76355	(d) Full-time Student Health Fees (a) x (c)	(e) Unit Cost for Part-time Student per Educ. Code § 76355	(f) Part-time Student Health Fees (b) x (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester							
2. Per spring semester							
3. Per summer session							
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected [Line (8.1g) + (8.2g) + .....(8.6g)]

(10) Sub-total [Line (07) - line (09)]

**Cost Reduction**

(11) Less: Offsetting Savings, if applicable

(12) Less: Other Reimbursements, if applicable

(13) Total Amount Claimed [Line (10) - (line (11) + line (12))]

<b>HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions</b>	<b>FORM HFE-1.1</b>
--	-------------------------

- (01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office on behalf of its colleges.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.
- Form HFE-1.1 must be filed for a reimbursement claim. If you are filing an estimated claim and the estimate does not exceed the previous year's actual costs by 10%, do not complete form HFE-1.1. Simply enter the amount of the estimated claim on form FAM-27, line (05), Estimated. However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Enter the name of the college or community college district that provided student health services in the 1986/87 fiscal year and continue to provide the same services during the fiscal year of the claim.
- (04) Compare the level of health services provided during the fiscal year of reimbursement to the 1986/87 fiscal year and indicate the result by marking a check in the appropriate box. If the "Less" box is checked, STOP and do not complete the remaining part of this claim form. No reimbursement is forthcoming.
- (05) Enter the direct cost, indirect cost, and total cost of health services for the fiscal year of claim on line (05). Direct cost of health services is identified on the college expenditures report (individual college's cost of health services as authorized under Education Code § 76355 and included in the district's Community College Annual Financial and Budget Report CCFS-311, EDP Code 6440, column 5). **If the amount of direct costs claimed is different than shown on the expenditures report, provide a schedule listing those community college costs that are in addition to, or a reduction to expenditures shown on the report.** For claiming indirect costs, college districts have the option of using a federally approved rate (i.e., utilizing the cost accounting principles from the Office of Management and Budget Circular A-21), or the State Controller's methodology outlined in "Filing a Claim" of the Mandated Cost Manual for Schools.
- (06) Enter the direct cost, indirect cost, and total cost of health services that are in excess of the level provided in the 1986/87 fiscal year.
- (07) Enter the difference of the cost of health services for the fiscal year of claim, line (05), and the cost of providing current fiscal year health services that is in excess of the level provided in the 1986/87 fiscal year, line (06).
- (08) Complete columns (a) through (g) to provide details on the amount of health service fees that could have been collected. **Do not include students who are exempt from paying health fees established by the Board of Governors and contained in Section 58620 of Title 5 of the California Code of Regulations.** After 01/01/93, the student fees for health supervision and services were \$10.00 per semester, \$5.00 for summer school, and \$5.00 for each quarter. Beginning with the summer of 1997, the health service fees are: \$11.00 per semester and \$8.00 for summer school, or \$8.00 for each quarter.
- (09) Enter the sum of Student Health Fees That Could Have Been Collected, (other than from students who were exempt from paying health fees) [Line (8.1g) + line (8.2g) + line (8.3g) + line (8.4g) + line (8.5g) + line (8.6g)].
- (10) Enter the difference of the cost of providing health services at the 1986/87 level, line (07) and the total health fee that could have been collected, line (09). If line (09) is greater than line (07), no claim shall be filed.
- (11) Enter the total savings experienced by the school identified in line (03) as a direct cost of this mandate. Submit a schedule of detailed savings with the claim.
- (12) Enter the total other reimbursements received from any source, (i.e., federal, other state programs, etc.). Submit a schedule of detailed reimbursements with the claim.
- (13) Subtract the sum of Offsetting Savings, line (11), and Other Reimbursements, line (12), from Total 1986/87 Health Service Cost excluding Student Health Fees.

<b>MANDATED COSTS</b> <b>HEALTH ELIMINATION FEE</b> <b>HEALTH SERVICES</b>		<b>FORM</b> <b>HFE-2</b>	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Accident Reports  Appointments College Physician, surgeon Dermatology, family practice Internal Medicine Outside Physician Dental Services Outside Labs, (X-ray, etc.) Psychologist, full services Cancel/Change Appointments Registered Nurse Check Appointments  Assessment, Intervention and Counseling Birth Control Lab Reports Nutrition Test Results, office Venereal Disease Communicable Disease Upper Respiratory Infection Eyes, Nose and Throat Eye/Vision Dermatology/Allergy Gynecology/Pregnancy Service Neuralgic Orthopedic Genito/Urinary Dental Gastro-Intestinal Stress Counseling Crisis Intervention Child Abuse Reporting and Counseling Substance Abuse Identification and Counseling Acquired Immune Deficiency Syndrome Eating Disorders Weight Control Personal Hygiene Burnout Other Medical Problems, list  Examinations, minor illnesses Recheck Minor Injury  Health Talks or Fairs, Information Sexually Transmitted Disease Drugs Acquired Immune Deficiency Syndrome			

<b>MANDATED COSTS</b> <b>HEALTH ELIMINATION FEE</b> <b>HEALTH SERVICES</b>		<b>FORM</b> <b>HFE-2</b>	
(01) Claimant:	(02) Fiscal Year costs were incurred:		
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Child Abuse Birth Control/Family Planning Stop Smoking Library, Videos and Cassettes  First Aid, Major Emergencies  First Aid, Minor Emergencies  First Aid Kits, Filled  Immunizations Diphtheria/Tetanus Measles/Rubella Influenza Information  Insurance On Campus Accident Voluntary Insurance Inquiry/Claim Administration  Laboratory Tests Done Inquiry/Interpretation Pap Smears  Physical Examinations Employees Students Athletes  Medications Antacids Antidiarrheal Aspirin, Tylenol, Etc Skin Rash Preparations Eye Drops Ear Drops Toothache, oil cloves Stingkill Midol, Menstrual Cramps Other, list  Parking Cards/Elevator Keys Tokens Return Card/Key Parking Inquiry Elevator Passes Temporary Handicapped Parking Permits			

<b>MANDATED COSTS</b> <b>HEALTH ELIMINATION FEE</b> <b>HEALTH SERVICES</b>		<b>FORM</b> <b>HFE-2</b>	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
<b>Referrals to Outside Agencies</b> Private Medical Doctor Health Department Clinic Dental Counseling Centers Crisis Centers Transitional Living Facilities, battered/homeless women Family Planning Facilities Other Health Agencies  <b>Tests</b> Blood Pressure Hearing Tuberculosis Reading Information  Vision Glucometer Urinalysis Hemoglobin EKG Strep A testing PG Testing Monospot Hemacult Others, list  <b>Miscellaneous</b> Absence Excuses/PE Waiver Allergy Injections Band-aids Booklets/Pamphlets Dressing Change Rest Suture Removal Temperature Weigh Information Report/Form Wart Removal Others, list  <b>Committees</b> Safety Environmental Disaster Planning			



Venneman, Jim

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From: Venneman, Jim  
Sent: Friday, October 01, 2004 12:59 PM  
To: 'Blackwood, Kathy'  
Cc: Spano, Jim  
Subject: RE: Health Fee Mandated Costs Audit



SMCCD HFE Insert  
2.xls



SMCCD HFE  
Salaries & Benefits...

Hi Kathy,

We recently completed our review of the materials that you sent to our offices on 8/31. Our position is unchanged from my last e-mail, which is that we will allow salaries, benefits, and related indirect costs for Arlene Wiltberger, Donald Nichols, Donna Elliott, and Gloria D'Ambra. This includes \$5,762 of salary expense for Donna Elliott that was charged to program code 543000 during FYs 99-00 and 00-01 that do not appear to have part of the district's original claim.

Your last communication stated that Dee Howard and Ernest Rodriguez were both full-time faculty. We understood that they were both Counselors at the Health Center, which now appears to be in error. We cannot allow costs for these two employees on the basis of job descriptions in the absence of time records supporting the hours worked performing mandate activities at the Health Center.

We are continuing our draft report process today. Attached is a revised Schedule 1 showing the current status of the audit findings. You will note that net audit adjustments have dropped by \$241,840.

I am also including detail schedules of allowable and unallowable salary and benefit costs for all three years.

It will take several more weeks before our draft report is issued. In the meantime, please let me know if you have any more information to submit in support of claimed costs.

Jim Venneman, CPA  
Audit Manager  
Division of Audits  
State Controller's Office  
(916) 322-9887 - Phone  
(916) 828-4709 - Pager

-----Original Message-----

From: Blackwood, Kathy [mailto:blackwoodk@smccd.net]  
Sent: Friday, August 13, 2004 8:25 AM  
To: jvenneman@sco.ca.gov  
Subject: RE: Health Fee Mandated Costs Audit

Jim-

Thanks for the info. I will be providing a response as soon as I can; however, school starts next week, so things are pretty hectic around here. I hope to get back to you in the following week.

Kathy

-----Original Message-----

From: jvenneman@sco.ca.gov [mailto:jvenneman@sco.ca.gov]  
Sent: Thursday, August 12, 2004 11:07 AM  
To: Blackwood, Kathy  
Cc: jspano@sco.ca.gov  
Subject: Health Fee Mandated Costs Audit

Hi Kathy,

We looked over the backup documentation that you provided to us based upon our last records request. We are satisfied that it adequately supports salaries claimed for Arlene Wiltberger, Donald Nichols, Donna Elliott, and Gloria D'Ambra.

For the most part, the salaries and benefits for these employees were charged 100% to the Health Services program (TOPS code 643000). The only exceptions to this were the following:

Gloria D'Ambra: FY 1999-00 - \$642.67 charged to code 649001 and \$1,310.67 charged to code 649003 and

Donna Elliott: FY 1999-00 - \$2,304.96 charged to code 543000 and for FY 2000-01 - \$3,457.44 charged to code 543000

Please explain what departments these codes refer to and how the costs are split between these codes in the absence of time records.

In addition, there are two employees who charged time to the mandate in FY 2001-02 for which we have no job titles. Specifically - Roger Hubbard and Rosemary O'Neil. Could you please provide this information?

I have also noted that there were several other employees listed as Counselors who did not record 100% of their salaries and benefits to TOPS code 643000. It seems to us that Counselors would work in the Health Center, for the most part. Specifically, I am referring to Ernest Rodriguez (FYs 199-00 through 2000-02) and Dee Howard (FYs 1999-00 and 2000-01). Approximately 95% of Dee's payroll costs were charged to code 643000 and 5% to code 646000 for both years. I analyzed the payroll information for Ernest Rodriguez for FY 2001-02 only and noted that 68% of his payroll was charged to code 643000. The remainder was charged to codes 200100 and 493010. We are prepared to allow costs claimed for Counselors, but are curious how the salary and benefit costs for these employees are split between various departments in the absence of time records. I suspect that you probably have job description information for these two employees as well.

One last thing - my e-mail that started this process also addressed several Professors who charged time to the mandate. I assume that you were not able to locate any documentation supporting hours worked in the health services program for these folks.

You will be pleased to know that our finding for unallowable salaries

and  
benefits has, so far, decreased by \$364,949 (\$107,417 in FY 99-00,  
\$113,287  
in FY 00-01, and 144,245 in FY 01-02) plus related indirect costs based  
upon  
the additional documentation that you have provided to our office.

Thanks again for your help. This should be the last records request that  
I  
will need to make for this audit, based upon my review of the workpapers  
and  
the additional documents that you have provided to us. Let me know if  
you  
have any questions or need additional information.

Jim Venneman, CPA  
Audit Manager  
Division of Audits  
State Controller's Office  
(916) 322-9887 - Phone  
(916) 828-4709 - Pager

[Insert 2]

**SCHEDULE 1  
SUMMARY OF PROGRAM COSTS  
JULY 1, 1999 through JUNE 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference
<u>July 1, 1999 through June 30, 2000</u>				
Salaries	\$ 552,729	\$ 367,095	\$ (185,634)	Finding 1
Benefits	92,265	61,278	(30,987)	Finding 1
Services and supplies	24,276	24,276	-	
Other operating expenses	63,624	63,624	-	
Capital outlays	13,491	13,491	-	
Subtotals	746,385	529,764	(216,621)	
Indirect costs	223,916	128,513	(95,403)	Finding 1 & 3
Subtotals, health expenditures	970,301	658,277	(312,024)	
Less offsetting savings/reimbursements	(613,153)	(626,328)	(13,175)	Finding 4
Adjust for health fees exceeding health expenditures	-	-	-	Finding 5
Total costs	<u>\$ 357,148</u>	<u>31,949</u>	<u>\$ (325,199)</u>	
Less amount paid by the State		(357,148)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (325,199)</u>		
<u>July 1, 2000 through June 30, 2001</u>				
Salaries	\$ 550,480	\$ 387,826	\$ (162,654)	Finding 1
Benefits	91,530	64,485	(27,045)	Finding 1
Services and supplies	37,335	37,335	-	
Other operating expenses	60,628	60,628	-	
Capital outlays	11,131	11,131	-	
Subtotals	751,104	561,405	(189,699)	
Indirect costs	225,331	135,693	(89,638)	Finding 1 & 3
Subtotals, health expenditures	976,435	697,098	(279,337)	
Less offsetting savings/reimbursements	(615,404)	(615,404)	-	
Total costs	<u>\$ 361,031</u>	<u>81,694</u>	<u>\$ (279,337)</u>	
Less amount paid by the State		(111,475)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (29,781)</u>		
<u>July 1, 2001 through June 30, 2002</u>				
Salaries	\$ 601,571	\$ 428,365	\$ (173,206)	Finding 1
Benefits	106,283	75,682	(30,601)	Finding 1
Services and supplies	42,558	42,558	-	
Other operating expenses	100,573	59,198	(41,375)	Finding 2
Capital outlays	20,530	20,530	-	
Subtotals	871,515	626,333	(245,182)	
Indirect costs	261,454	151,214	(110,240)	Finding 1 & 3
Subtotals, health expenditures	1,132,969	777,547	(355,422)	
Less offsetting savings/reimbursements	(591,922)	(649,350)	(57,428)	Finding 4
Total costs	<u>\$ 541,047</u>	<u>128,197</u>	<u>\$ (412,850)</u>	
Less amount paid by the State		(94,223)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 33,974</u>		
<u>Summary: July 1, 1999 through June 30, 2002</u>				
Salaries	\$ 1,704,780	\$ 1,183,286	\$ (521,494)	Finding 1
Benefits	290,078	201,445	(88,633)	Finding 1
Services and supplies	104,169	104,169	-	
Other operating expenses	224,825	183,450	(41,375)	Finding 2
Capital outlays	45,152	45,152	-	
Subtotals	2,369,004	1,717,502	(651,502)	
Indirect costs	710,701	415,420	(295,281)	Finding 1 & 3
Subtotals, health expenditures	3,079,705	2,132,922	(946,783)	
Less offsetting savings/reimbursements	(1,820,479)	(1,891,082)	(70,603)	Finding 4
Total costs	<u>\$ 1,259,226</u>	<u>241,840</u>	<u>\$ (1,017,386)</u>	
Less amount paid by the State		(562,846)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (321,006)</u>		

1 See the Findings and Recommendations section.

San Mateo Community College District  
 Legislatively Mandated Health Fee Elimination Program  
 Schedule of Allowable Salaries & Benefits  
 Fiscal Year 1999-2000

Name	Position	Salaries Audited	Benefits Audited *	Allowable Salaries	Allowable Benefits *	Net Unallowable
Jennifer Martin	Instructional Aid I	2,843.18	474.60	2,722.49	454.46	140.83
Walter McVeigh	Instructional Aid I	1,724.40	287.85	1,724.40	287.85	0.00
Ernest Rodriguez	Full-time Faculty	68,161.55	11,377.96	0.00	0.00	79,539.51
Gloria Pena-Bench	Office Assistant	3,361.33	561.09	0.00	0.00	3,922.42
Arlene Willberger	Counselor	71,355.92	11,911.19	71,355.92	11,911.19	0.00
Dee Howard	Full-time Faculty	39,786.00	6,641.33	0.00	0.00	46,427.33
Gloria D'Ambr	Office Assistant	29,472.59	4,919.75	29,472.59	4,919.75	0.00
Angela Stocker	Professor	3,386.51	565.30	0.00	0.00	3,951.81
Lawrence Stungari	Professor	38,469.08	6,421.51	0.00	0.00	44,890.59
Sheila Claxton	Office Assistant	8,197.55	1,368.39	0.00	0.00	9,565.94
Donna Elliot	Office Assistant	8,892.55	1,484.40	8,892.55	1,484.40	0.00
Rosario Car-Casanova	Professor	34,870.00	5,820.72	0.00	0.00	40,690.72
Sharon Bartel	Nurse	49,592.80	8,278.35	49,592.80	8,278.35	0.00
Marianne Burrows	Nurse	8,835.07	1,474.81	8,835.07	1,474.81	0.00
Betsy Goff	Nurse	18,952.03	3,163.59	18,952.03	3,163.59	0.00
Kathleen Desmond	Nurse	9,662.38	1,612.91	9,662.38	1,612.91	0.00
Diann Garcia	Nurse	7,816.52	1,304.78	7,816.52	1,304.78	0.00
Janet Gersonde	Nurse	32,811.39	5,477.09	32,811.39	5,477.09	0.00
Tatiana Isaef	Nurse	6,214.47	1,037.36	6,214.47	1,037.36	0.00
Edna James	Nurse	10,140.32	1,692.69	10,140.32	1,692.69	0.00
Shirley James	Nurse	7,399.18	1,235.12	7,399.18	1,235.12	0.00
Janet Lindsey	Nurse	512.12	85.49	512.12	85.49	0.00
Barbara Madick	Nurse	1,318.45	220.08	1,318.45	220.08	0.00
Lisa Marlowe	Nurse	9,181.50	1,532.63	9,181.50	1,532.63	0.00
Ruth McCracken	Nurse	5,474.44	913.83	5,474.44	913.83	0.00
Lesli Sachs	Nurse	65,156.64	10,876.36	65,156.64	10,876.36	0.00
Judith Ward	Nurse	585.71	97.77	585.71	97.77	0.00
Judith West	Nurse	19,273.96	3,217.33	19,273.96	3,217.33	0.00
		<u>563,447.64</u>	<u>94,054.28</u>	<u>367,094.93</u>	<u>61,277.84</u>	<u>229,129.15</u>
Understated Salaries & Benefits		(10,718.55)	(1,789.18)			(12,507.73)
Net Salaries and Benefits Claimed		<u>552,729.09</u>	<u>92,265.10</u>			
Net Allowable Salaries and Benefits				<u>367,094.93</u>	<u>61,277.84</u>	
Net Unallowable Salaries and Benefits						<u>216,621.42</u>

\* - Based on audited benefit rate of 16.69264%

	Salaries	Benefits	Total
Total Claimed	552,729.09	92,265.10	644,994.19
Total Allowable	367,094.93	61,277.84	428,372.77
Total Unallowable	185,634.16	30,987.26	216,621.42

San Mateo Community College District  
 Legislatively Mandated Health Fee Elimination Program  
 Schedule of Allowable Salaries & Benefits  
 Fiscal Year 2000-2001

Name	Position	Salaries Audited	Benefits Audited *	Allowable Salaries	Allowable Benefits *	Net Unallowable
Ernest Rodriguez	Full-time Faculty	71,569.18	11,899.94	0.00	0.00	83,469.12
Arlene Wilberger	Counselor	60,640.39	10,082.79	60,640.39	10,082.79	0.00
Dee Howard	Full-time Faculty	43,184.67	7,180.40	0.00	0.00	50,365.07
Gloria D'Ambra	Office Assistant	33,045.47	5,494.53	33,045.47	5,494.53	0.00
Angela Stocker	Professor	3,555.86	591.24	0.00	0.00	4,147.10
Lawrence Stringari	Professor	35,025.57	5,823.77	0.00	0.00	40,849.34
Donna Elliot	Office Assistant	23,059.03	3,834.07	23,059.03	3,834.07	0.00
Barbara Mascher	Unknown	651.46	108.32	651.46	108.32	0.00
Kathleen Masket	Unknown	411.08	68.35	411.08	68.35	0.00
Rosario Car-Casanova	Professor	8,682.63	1,443.68	0.00	0.00	10,126.31
Jo Anne Taylor	Professor	786.68	130.80	786.68	130.80	0.00
Harold Berrero	Faculty	716.15	119.08	677.04	112.57	45.62
Sharon Bartel	Nurse	54,189.00	9,010.11	54,189.00	9,010.11	0.00
Marianne Burrows	Nurse	2,546.71	423.45	2,546.71	423.45	0.00
Betsi Goff	Nurse	10,762.29	1,789.47	10,762.29	1,789.47	0.00
Kathleen Desmond	Nurse	9,150.56	1,521.48	9,150.56	1,521.48	0.00
Dlann Garcia	Nurse	7,824.90	1,301.06	7,824.90	1,301.06	0.00
Janet Gersonde	Nurse	37,075.99	6,164.70	37,075.99	6,164.70	0.00
Taliana Isaef	Nurse	7,592.06	1,262.35	7,592.06	1,262.35	0.00
Edna James	Nurse	11,392.69	1,894.28	11,392.69	1,894.28	0.00
Shirley James	Nurse	8,161.83	1,357.08	8,161.83	1,357.08	0.00
Janet Lindsey	Nurse	13,316.82	2,214.21	13,316.82	2,214.21	0.00
Barbara Madick	Nurse	1,722.65	286.43	1,722.65	286.43	0.00
Lisa Marlowe	Nurse	11,884.24	1,976.02	11,884.24	1,976.02	0.00
Ruth McCracken	Nurse	5,252.04	873.27	5,252.04	873.27	0.00
Leshi Sachs	Nurse	67,238.14	11,179.81	67,238.14	11,179.81	0.00
Judith West	Nurse	20,444.34	3,399.32	20,444.34	3,399.32	0.00
		<u>549,882.43</u>	<u>91,430.01</u>	<u>387,825.41</u>	<u>64,484.47</u>	<u>189,002.56</u>
Overstated Salaries		597.49	99.34			696.83
Net Salaries and Benefits Claimed		<u>550,479.92</u>	<u>91,529.35</u>			
Net Allowable Salaries and Benefits				<u>387,825.41</u>	<u>64,484.47</u>	
Net Unallowable Salaries and Benefits						<u>189,699.39</u>

\* - Based on audited benefit rate of 16.62719%

	Salaries	Benefits	Total
Total Claimed	550,479.92	91,529.35	642,009.27
Total Allowable	387,825.41	64,484.47	452,309.88
Total Unallowable	162,654.51	27,044.88	189,699.39

San Mateo Community College District  
 Legislatively Mandated Health Fee Elimination Program  
 Schedule of Allowable Salaries & Benefits  
 Fiscal Year 2001-2002

Name	Position	Salaries Audited	COLA Adjustment	Total Salaries	Benefits Audited *	Allowable Salaries	Allowable Benefits *	Net Unallowable
Ernest Rodriguez	Full-time faculty	57,255.36	4,007.88	61,263.24	10,823.76	0.00	0.00	72,087.00
Arlene Wiltberger	Counselor	60,827.66	3,783.42	64,611.10	11,415.24	64,611.10	11,415.24	0.00
Gloria D'Ambr	Office Assistant	36,217.82	2,422.41	38,640.23	6,826.81	38,640.23	6,826.81	(0.00)
Angela Stocker	Professor	3,555.90	236.47	3,792.37	670.02	0.00	0.00	4,462.39
Lawrence Stringari	Professor	42,030.60	2,819.55	44,850.15	7,923.95	0.00	0.00	52,774.10
Donna Elliot	Office Assistant	34,799.04	2,171.23	36,970.27	6,531.77	36,970.27	6,531.77	0.00
Roger Hubbard	Unknown	3,444.27	32.20	3,476.47	614.21	0.00	0.00	4,090.68
Donald Nichols	Medical Doctor	12,400.00	868.00	13,268.00	2,344.14	13,268.00	2,344.14	0.00
Rosemary O'Neill	Unknown	11,534.04	807.38	12,341.42	2,180.44	0.00	0.00	14,521.86
Jozsef Veres	Unknown	335.53	23.49	359.02	63.43	359.02	63.43	0.00
Dee Howard	Professor	43,184.70	3,022.93	46,207.63	8,163.79	0.00	0.00	54,371.42
Sharon Bartel	Nurse	56,300.00	3,743.95	60,043.95	10,608.34	60,043.95	10,608.34	0.00
Betsy Goff	Nurse	11,236.08	683.76	11,919.84	2,105.95	11,919.84	2,105.95	0.00
Diann Garcia	Nurse	5,637.60	312.42	5,950.02	1,051.23	5,950.02	1,051.23	0.00
Janet Gersonde	Nurse	36,370.41	2,035.51	38,405.92	6,785.41	38,405.92	6,785.41	0.00
Taliana Isaeif	Nurse	7,047.00	327.49	7,374.49	1,302.90	7,374.49	1,302.90	0.00
Edna James	Nurse	4,487.57	122.23	4,609.80	814.44	4,609.80	814.44	0.00
Shirley James	Nurse	7,943.04	487.61	8,430.65	1,489.50	8,430.65	1,489.50	0.00
Janet Lindsey	Nurse	17,436.87	1,190.30	18,627.17	3,290.98	18,627.17	3,290.98	0.00
Barbara Madick	Nurse	7,066.60	494.66	7,561.26	1,335.89	7,561.26	1,335.89	0.00
Lisa Markowe	Nurse	11,205.48	688.63	11,894.11	2,101.41	11,894.11	2,101.41	0.00
Ruth McCracken	Nurse	3,406.05	176.76	3,582.81	633.00	3,582.81	633.00	0.00
Lest Sachs	Nurse	69,944.70	4,682.37	74,627.07	13,184.83	74,627.07	13,184.83	0.00
Judith West	Nurse	20,358.04	1,131.14	21,489.18	3,796.63	21,489.18	3,796.63	0.00
		<u>564,024.36</u>	<u>36,271.79</u>	<u>600,296.17</u>	<u>106,058.07</u>	<u>428,364.89</u>	<u>75,681.90</u>	<u>202,307.45</u>
Overstated Salaries		2,647.10	(1,372.56)	1,274.54	225.18			1,499.72
Net Salaries and Benefits Claimed		<u>566,671.46</u>	<u>34,899.23</u>	<u>601,570.71</u>	<u>106,283.25</u>			
Net Allowable Salaries and Benefits						<u>428,364.89</u>	<u>75,681.90</u>	
Net Unallowable Salaries and Benefits								<u>203,807.17</u>

\* - Based on audited benefit rate of 17.66762%

	Salaries	Benefits	Total
Total Claimed	601,570.71	106,283.25	707,853.96
Total Allowable	428,364.89	75,681.90	504,046.79
Total Unallowable	173,205.82	30,601.35	203,807.17



E.O.s 12549 (3 CFR, 1986 Comp., p. 189) and 12689 (3 CFR, 1989 Comp., p. 235), "Debarment and Suspension." The Excluded Parties List System contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than E.O. 12549.

[FR Doc. 05-16647 Filed 8-30-05; 8:45 am]  
BILLING CODE 3110-01-P

**OFFICE OF MANAGEMENT AND BUDGET**

**2 CFR Parts 215 and 220**

**Cost Principles for Educational Institutions (OMB Circular A-21)**

**AGENCY:** Office of Management and Budget.

**ACTION:** Relocation of policy guidance to 2 CFR chapter II.

**SUMMARY:** The Office of Management and Budget (OMB) is relocating OMB Circular A-21, "Cost Principles for Educational Institutions," to Title 2 in the Code of Federal Regulations (2 CFR), subtitle A, chapter II, part 220. This relocation is part of our broader initiative to create 2 CFR as a single location where the public can find both OMB guidance for grants and agreements and the associated Federal agency implementing regulations. The broader initiative provides a good foundation for streamlining and simplifying the policy framework for grants and agreements, one objective of OMB and Federal agency efforts to implement the Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. 106-107).

Furthermore, this document makes changes to 2 CFR part 215, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110). The changes will add to part 215 new references to 2 CFR parts 220, 225, and 230 for the cost principles in OMB Circulars A-21, A-87, and A-122, respectively; will update part 215 to include a citation for the Social Security Administration's grant regulation; and will correct part 215 to add the amendatory language of A-110 published on October 8, 1999, and to correct a typographic error.

**DATES:** This document is effective August 31, 2005. This document republishes the existing OMB Circular A-21, which already is in effect.

**FOR FURTHER INFORMATION CONTACT:** Gil Tran, Office of Federal Financial Management, Office of Management and Budget, telephone (202) 395-3052

(direct) or (202) 395-3993 (main office) and e-mail [Hai\\_M.\\_Tran@omb.eop.gov](mailto:Hai_M._Tran@omb.eop.gov).

**SUPPLEMENTARY INFORMATION:** On May 10, 2004 [69 FR 25970], we revised the three OMB circulars containing Federal cost principles. The purpose of those revisions was to simplify the cost principles by making the descriptions of similar cost items consistent across the circulars where possible, thereby reducing the possibility of misinterpretation. Those revisions resulted from OMB and Federal agency efforts to implement Public Law 106-107, and were effective on June 9, 2004.

In this document and the two documents immediately following this one, we relocate those three OMB circulars to the CFR, in Title 2 which was established on May 11, 2004 [69 FR 26276] as a central location for OMB and Federal agency policies on grants and agreements. When we established 2 CFR and relocated OMB Circular A-110 in that new title, we stated that we would relocate in the near future the other OMB circulars related to grants and agreements. Today's documents are a significant step toward that end.

Our relocation of OMB Circular A-21 does not change the substance of the circular. Other than adjustments needed to conform to the formatting requirements of the CFR, this notice relocates in 2 CFR the version of OMB Circular A-21 as revised by the May 10, 2004 notice.

*Conforming changes to 2 CFR part 215.* There is a need for conforming changes to 2 CFR part 215, which contains administrative requirements for grants and other financial assistance agreements with educational institutions and other nonprofit organizations. The amendments to § 215.25(c)(6) and (e), § 215.27, and § 215.29(b) add the new references to 2 CFR parts 220, 225, and 230 for the cost principles in OMB Circulars A-21, A-87, and A-122, respectively.

*Update and corrections to 2 CFR part 215.* Additional changes to 2 CFR part 215 are needed to update § 215.5 and to correct § 215.36 and § 215.72. The update to § 215.5 adds the CFR citation for the Social Security Administration's (SSA) implementation of the grants management common rule, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments." The changes to § 215.36 provide the corrections needed to include the amendments to OMB Circular A-110 that were published as final on October 8, 1999 [64 FR 54926] and were inadvertently omitted from our publication of part 215 last year [69 FR 26281]. The change to

§ 215.72 provides correction for a long-standing typo.

**List of Subjects**

*2 CFR Part 215*

Accounting, Colleges and universities, Cooperative agreements, Grant programs, Grants administration, Hospitals, Nonprofit organizations, Reporting and recordkeeping requirements.

*2 CFR Part 220*

Accounting, Colleges and universities, Grant programs, Grant administrations, Reporting and recordkeeping requirements.

Dated: August 8, 2005.

**Joshua B. Bolten,**  
*Director.*

**Authority and Issuance**

■ For the reasons set forth above, the Office of Management and Budget amends 2 CFR, subtitle A, chapter II, as follows:

**PART 215—[AMENDED]**

■ 1. The authority citation for part 215 continues to read as follows:

**Authority:** 31 U.S.C. 503; 31 U.S.C. 1111; 41 U.S.C. 405; Reorganization Plan No. 2 of 1970; E.O. 11541, 35 FR 10737, 3 CFR, 1966-1970, p. 939.

**§ 215.5 [Amended]**

■ 2. Section 215.5 is amended by adding "20 CFR part 437," following "15 CFR part 24,"

■ 3. Section 215.25 is amended by revising paragraphs (c)(6) and (e) to read as follows:

**§ 215.25 Revision of budget and program plans.**

\* \* \* \* \*

(c) \* \* \*

(6) The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with any of the following, as applicable:

(i) 2 CFR part 220, "Cost Principles for Educational Institutions (OMB Circular A-21);"

(ii) 2 CFR part 230, "Cost Principles for Non-Profit Organizations (OMB Circular A-122);"

(iii) 45 CFR part 74, Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals;" and

(iv) 48 CFR part 31, "Contract Cost Principles and Procedures."

\* \* \* \* \*

(e) Except for requirements listed in paragraphs (c)(1) and (c)(4) of this

under sponsored agreements. The principles shall also be used in determining the costs of work performed by such institutions under subgrants, cost-reimbursement subcontracts, and other awards made to them under sponsored agreements. They also shall be used as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price. The principles do not apply to:

a. Arrangements under which Federal financing is in the form of loans, scholarships, fellowships, traineeships, or other fixed amounts based on such items as education allowance or published tuition rates and fees of an institution.

b. Capitation awards.

c. Other awards under which the institution is not required to account to the Federal Government for actual costs incurred.

d. Conditional exemptions.

(1) OMB authorizes conditional exemption from OMB administrative requirements and cost principles for certain Federal programs with statutorily-authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.

(2) To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily-authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State-administered, non-entitlement grant programs from certain OMB grants management requirements. The exemptions would be from all but the allocability of costs provisions of subsection C.3 of Appendix A to 2 CFR part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87), Section C, subpart 4 to 2 CFR part 220 Cost Principles for Educational Institutions (OMB Circular A-21), and subsection A.4 of Appendix A to 2 CFR part 230 Cost Principles for Non-Profit Organizations." (OMB Circular A-122), and from all of the administrative requirements provisions of 2 CFR part 215, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110), and the agencies' grants management common rule (see § 215.5 of this subtitle).

(3) When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of 2 CFR part 225 (OMB Circular A-87), and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: Funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for

operating these programs, and funds are not to be used for general expenses required to carry out other responsibilities of a State or its subrecipients.

#### 4. Inquiries.

All inquiries from Federal agencies concerning the cost principles contained in this Appendix to 2 CFR part 220, including the administration and implementation of the Cost Accounting Standards (CAS) (described in Sections C.10 through C.13) and disclosure statement (DS-2) requirements, shall be addressed by the Office of Management and Budget (OMB), Office of Federal Financial Management, in coordination with the Cost Accounting Standard Board (CASB) with respect to inquiries concerning CAS. Educational institutions' inquiries should be addressed to the cognizant agency.

### B. Definition of Terms

1. Major functions of an institution refers to instruction, organized research, other sponsored activities and other institutional activities as defined below:

a. Instruction means the teaching and training activities of an institution. Except for research training as provided in subsection b, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, university research.

(1) Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.

(2) Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not considered as a major function, but as a part of the instruction function of the institution.

b. Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

(1) Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, shall be combined with sponsored research under the function of organized research.

c. Other sponsored activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

d. Other institutional activities means all activities of an institution except:

(1) Instruction, departmental research, organized research, and other sponsored activities, as defined above;

(2) F&A cost activities identified in Section F of this Appendix; and

(3) Specialized service facilities described in Section J.47 of this Appendix. Other institutional activities include operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics, bookstores, faculty housing, student apartments, guest houses, chapels, theaters, public museums, and other similar auxiliary enterprises. This definition also includes any other categories of activities, costs of which are "unallowable" to sponsored agreements, unless otherwise indicated in the agreements.

2. Sponsored agreement, for purposes of this Appendix, means any grant, contract, or other agreement between the institution and the Federal Government.

3. Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective, in reasonable and realistic proportion to the benefit provided or other equitable relationship. A cost objective may be a major function of the institution, a particular service or project, a sponsored agreement, or an F&A cost activity, as described in Section F of this Appendix. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

4. Facilities and administrative (F&A) costs, for the purpose of this Appendix, means costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. F&A costs are synonymous with "indirect" costs, as previously used in this Appendix and as currently used in attachments A and B to this Appendix. The F&A cost categories are described in Section F.1 of this Appendix.

### C. Basic Considerations

1. Composition of total costs. The cost of a sponsored agreement is comprised of the allowable direct costs incident to its performance, plus the allocable portion of the allowable F&A costs of the institution, less applicable credits as described in subsection C.5 of this Appendix.

2. Factors affecting allowability of costs. The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles

appropriate to the circumstances; and they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

3. Reasonable costs. A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are: whether or not the cost is of a type generally recognized as necessary for the operation of the institution or the performance of the sponsored agreement; the restraints or requirements imposed by such factors as arm's-length bargaining, Federal and State laws and regulations, and sponsored agreement terms and conditions; whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large; and, the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

4. Allocable costs.

a. A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or it is necessary to the overall operation of the institution and, in light of the principles provided in this Appendix, is deemed to be assignable in part to sponsored projects. Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

b. Any costs allocable to a particular sponsored agreement under the standards provided in this Appendix may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

c. Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements.

d. Allocation and documentation standard.

(1) Cost principles. The recipient institution is responsible for ensuring that

costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.

(2) Internal controls. The institution's financial management system shall ensure that no one person has complete control over all aspects of a financial transaction.

(3) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding subsection b, the costs may be allocated or transferred to benefited projects on any reasonable basis, consistent with subsections C.4.d. (1) and (2) of this Appendix.

(4) Documentation. Federal requirements for documentation are specified in this Appendix, 2 CFR Part 215, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and specific agency policies on cost transfers. If the institution authorizes the principal investigator or other individual to have primary responsibility, given the requirements of subsection C.4.d. (2) of this Appendix, for the management of sponsored agreement funds, then the institution's documentation requirements for the actions of those individuals (e.g., signature or initials of the principal investigator or designee or use of a password) will normally be considered sufficient.

5. Applicable credits.

a. The term "applicable credits" refers to those receipts or negative expenditures that operate to offset or reduce direct or F&A cost items. Typical examples of such transactions are: purchase discounts, rebates, or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. This term also includes "educational discounts" on products or services provided specifically to educational institutions, such as discounts on computer equipment, except where the arrangement is clearly and explicitly identified as a gift by the vendor.

b. In some instances, the amounts received from the Federal Government to finance institutional activities or service operations should be treated as applicable credits. Specifically, the concept of netting such credit items against related expenditures should be applied by the institution in determining the rates or amounts to be charged to sponsored agreements for services rendered whenever the facilities or other resources used in providing such services have been financed directly, in whole or in part, by Federal funds. (See Sections F.10, J.14, and J.47 of this Appendix for areas of potential application in the matter of direct Federal financing.)

6. Costs incurred by State and local governments. Costs incurred or paid by State or local governments on behalf of their colleges and universities for fringe benefit programs, such as pension costs and FICA and any other costs specifically incurred on

behalf of, and in direct benefit to, the institutions, are allowable costs of such institutions whether or not these costs are recorded in the accounting records of the institutions, subject to the following:

a. The costs meet the requirements of subsections C.1 through 5 of this Appendix.

b. The costs are properly supported by cost allocation plans in accordance with applicable Federal cost accounting principles.

c. The costs are not otherwise borne directly or indirectly by the Federal Government.

7. Limitations on allowance of costs. Sponsored agreements may be subject to statutory requirements that limit the allowance of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles in this Appendix, the amount not recoverable under a sponsored agreement may not be charged to other sponsored agreements.

8. Collection of unallowable costs, excess costs due to noncompliance with cost policies, increased costs due to failure to follow a disclosed accounting practice and increased costs resulting from a change in cost accounting practice. The following costs shall be refunded (including interest) in accordance with applicable Federal agency regulations:

a. Costs specifically identified as unallowable in Section J of this Appendix, either directly or indirectly, and charged to the Federal Government.

b. Excess costs due to failure by the educational institution to comply with the cost policies in this Appendix.

c. Increased costs due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs.

d. Increased costs resulting from a change in accounting practice.

9. Adjustment of previously negotiated F&A cost rates containing unallowable costs. Negotiated F&A cost rates based on a proposal later found to have included costs that are unallowable as specified by law or regulation, Section J of this Appendix, terms and conditions of sponsored agreements, or are unallowable because they are clearly not allocable to sponsored agreements, shall be adjusted, or a refund shall be made, in accordance with the requirements of this section. These adjustments or refunds are designed to correct the proposals used to establish the rates and do not constitute a reopening of the rate negotiation. The adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

a. For rates covering a future fiscal year of the institution, the unallowable costs will be removed from the F&A cost pools and the rates appropriately adjusted.

b. For rates covering a past period, the Federal share of the unallowable costs will be computed for each year involved and a cash refund (including interest chargeable in accordance with applicable regulations) will be made to the Federal Government. If cash refunds are made for past periods covered by provisional or fixed rates, appropriate adjustments will be made when the rates are

mutually agreed upon information for management purposes, each F&A cost rate negotiation or determination shall include development of a rate for each F&A cost pool as well as the overall F&A cost rate.

11. Negotiation and approval of F&A rate.  
a. Cognizant agency assignments. "A cognizant agency" means the Federal agency responsible for negotiating and approving F&A rates for an educational institution on behalf of all Federal agencies.

(1) Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds to the educational institution for the most recent three years. Information on funding shall be derived from relevant data gathered by the National Science Foundation. In cases where neither HHS nor DOD provides Federal funding to an educational institution, the cognizant agency assignment shall default to HHS. Notwithstanding the method for cognizance determination described above, other arrangements for cognizance of a particular educational institution may also be based in part on the types of research performed at the educational institution and shall be decided based on mutual agreement between HHS and DOD.

(2) Cognizant assignments as of December 31, 1995, shall continue in effect through educational institutions' fiscal years ending during 1997, or the period covered by negotiated agreements in effect on December 31, 1995, whichever is later, except for those educational institutions with cognizant agencies other than HHS or DOD. Cognizance for these educational institutions shall transfer to HHS or DOD at the end of the period covered by the current negotiated rate agreement. After cognizance is established, it shall continue for a five-year period.

b. Acceptance of rates. The negotiated rates shall be accepted by all Federal agencies. Only under special circumstances, when required by law or regulation, may an agency use a rate different from the negotiated rate for a class of sponsored agreements or a single sponsored agreement.

c. Correcting deficiencies. The cognizant agency shall negotiate changes needed to correct systems deficiencies relating to accountability for sponsored agreements. Cognizant agencies shall address the concerns of other affected agencies, as appropriate.

d. Resolving questioned costs. The cognizant agency shall conduct any necessary negotiations with an educational institution regarding amounts questioned by audit that are due the Federal Government related to costs covered by a negotiated agreement.

e. Reimbursement. Reimbursement to cognizant agencies for work performed under Part 220 may be made by reimbursement billing under the Economy Act, 31 U.S.C. 1535.

f. Procedure for establishing facilities and administrative rates. The cognizant agency shall arrange with the educational institution to provide copies of rate proposals to all interested agencies. Agencies wanting such

copies should notify the cognizant agency. Rates shall be established by one of the following methods:

(1) Formal negotiation. The cognizant agency is responsible for negotiating and approving rates for an educational institution on behalf of all Federal agencies. Non-cognizant Federal agencies, which award sponsored agreements to an educational institution, shall notify the cognizant agency of specific concerns (*i.e.*, a need to establish special cost rates) that could affect the negotiation process. The cognizant agency shall address the concerns of all interested agencies, as appropriate. A pre-negotiation conference may be scheduled among all interested agencies, if necessary. The cognizant agency shall then arrange a negotiation conference with the educational institution.

(2) Other than formal negotiation. The cognizant agency and educational institution may reach an agreement on rates without a formal negotiation conference; for example, through correspondence or use of the simplified method described in this Appendix.

g. Formalizing determinations and agreements. The cognizant agency shall formalize all determinations or agreements reached with an educational institution and provide copies to other agencies having an interest.

h. Disputes and disagreements. Where the cognizant agency is unable to reach agreement with an educational institution with regard to rates or audit resolution, the appeal system of the cognizant agency shall be followed for resolution of the disagreement.

12. Standard Format for Submission. For facilities and administrative (F&A) rate proposals submitted on or after July 1, 2001, educational institutions shall use the standard format, shown in Attachment C to this Appendix, to submit their F&A rate proposal to the cognizant agency. The cognizant agency may, on an institution-by-institution basis, grant exceptions from all or portions of Part II of the standard format requirement. This requirement does not apply to educational institutions that use the simplified method for calculating F&A rates, as described in Section H of this Appendix.

#### H. Simplified Method for Small Institutions

1. General.  
a. Where the total direct cost of work covered by Part 220 at an institution does not exceed \$10 million in a fiscal year, the use of the simplified procedure described in subsections H.2 or 3 of this Appendix, may be used in determining allowable F&A costs. Under this simplified procedure, the institution's most recent annual financial report and immediately available supporting information shall be utilized as basis for determining the F&A cost rate applicable to all sponsored agreements. The institution may use either the salaries and wages (see subsection H.2 of this Appendix) or modified total direct costs (see subsection H.3 of this Appendix) as distribution basis.

b. The simplified procedure should not be used where it produces results that appear inequitable to the Federal Government or the

institution. In any such case, F&A costs should be determined through use of the regular procedure.

2. Simplified procedure—Salaries and wages base.

a. Establish the total amount of salaries and wages paid to all employees of the institution.

b. Establish an F&A cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) that customarily are classified under the following titles or their equivalents:

(1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and scholarships). In those cases where expenditures have previously been allocated to other institutional activities, they may be included in the F&A cost pool. The total amount of salaries and wages included in the F&A cost pool must be separately identified.

(2) Operation and maintenance of physical plant; and depreciation and use allowances; after appropriate adjustment for costs applicable to other institutional activities.

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments.

c. Establish a salary and wage distribution base, determined by deducting from the total of salaries and wages as established in subsection a the amount of salaries and wages included under subsection H.2.b of this Appendix.

d. Establish the F&A cost rate, determined by dividing the amount in the F&A cost pool, subsection H.2.b of this Appendix, by the amount of the distribution base, subsection H.2.c of this Appendix.

e. Apply the F&A cost rate to direct salaries and wages for individual agreements to determine the amount of F&A costs allocable to such agreements.

3. Simplified procedure—Modified total direct cost base.

a. Establish the total costs incurred by the institution for the base period.

b. Establish a F&A cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) that customarily are classified under the following titles or their equivalents:

(1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and scholarships). In those cases where expenditures have previously been allocated to other institutional activities, they may be included in the F&A cost pool. The modified total direct costs amount included in the F&A cost pool must be separately identified.

(2) Operation and maintenance of physical plant; and depreciation and use allowances; after appropriate adjustment for costs applicable to other institutional activities.

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments.

c. Establish a modified total direct cost distribution base, as defined in Section G.2 of this Appendix, that consists of all institution's direct functions.

d. Establish the F&A cost rate, determined by dividing the amount in the F&A cost pool, subsection b, by the amount of the distribution base, subsection c.

e. Apply the F&A cost rate to the modified total direct costs for individual agreements to determine the amount of F&A costs allocable to such agreements.

#### I. Reserved

#### J. General Provisions for Selected Items of Cost

Sections J.1 through 54 of this Appendix provide principles to be applied in establishing the allowability of certain items involved in determining cost. These principles should apply irrespective of whether a particular item of cost is properly treated as direct cost or F&A cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost. In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below, the agreement should govern.

##### 1. Advertising and public relations costs.

a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

c. The only allowable advertising costs are those that are solely for:

(1) The recruitment of personnel required for the performance by the institution of obligations arising under a sponsored agreement (See also section J.42.b of this Appendix, Recruiting);

(2) The procurement of goods and services for the performance of a sponsored agreement;

(3) The disposal of scrap or surplus materials acquired in the performance of a sponsored agreement except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Other specific purposes necessary to meet the requirements of the sponsored agreement.

d. The only allowable public relations costs are:

(1) Costs specifically required by the sponsored agreement;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements (these costs are considered necessary as part of the outreach effort for the sponsored agreement); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.

e. Costs identified in subsections c and d if incurred for more than one sponsored agreement or for both sponsored work and other work of the institution, are allowable to the extent that the principles in sections D. ("Direct Costs") and E. ("F & A Costs") of this Appendix are observed.

f. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subsections J.1.c, 1.d and 1.e of this Appendix.

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the institution, including:

(a) Costs of displays, demonstrations, and exhibits;

(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the institution.

##### 2. Advisory councils.

Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to sponsored agreements.

##### 3. Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

##### 4. Alumni/ae activities.

Costs incurred for, or in support of, alumni/ae activities and similar services are unallowable.

##### 5. Audit costs and related services.

a. The costs of audits required by, and performed in accordance with, the Single Audit Act, as implemented by Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" are allowable. Also see 31 U.S.C. 7505(b) and section \_\_.230 ("Audit Costs") of Circular A-133.

b. Other audit costs are allowable if included in an indirect cost rate proposal, or if specifically approved by the awarding agency as a direct cost to an award.

c. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A-133 under section \_\_.200(d) are allowable, subject to the conditions listed in A-133, section \_\_.230 (b)(2).

##### 6. Bad Debt.

Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

##### 7. Bonding costs.

a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the institution. They arise also in instances where the institution requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

b. Costs of bonding required pursuant to the terms of the award are allowable.

c. Costs of bonding required by the institution in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

##### 8. Commencement and convocation costs.

Costs incurred for commencements and convocations are unallowable, except as provided for in Section F.9 of this Appendix.

##### 9. Communication costs.

Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

##### 10. Compensation for personal services.

a. General. Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits (see subsection J.10.f of this Appendix). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and documented in the financial management system of the institution.

##### b. Payroll distribution.

###### (1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented.





DEPARTMENT OF HEALTH & HUMAN SERVICES

ATTENTION:  
NEW ROOM #

Program Support Center  
Financial Management Service  
Division of Cost Allocation

DCA Western Field Office  
50 United Nations Plaza, Room 347  
San Francisco, CA 94102

**FEB 11 1999**

Raymond Chow  
Accountant  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402

Dear Mr. Chow:

The original and one copy of an indirect cost Negotiation Agreement are enclosed. This Agreement reflects an understanding reached between your organization and a member of my staff concerning the rate(s) that may be used to support your claim for indirect costs on grants and contracts with the Federal Government. Please have the original signed by a duly authorized representative of your organization and return it to me, retaining the copy for your files. We will reproduce and distribute the Agreement to the appropriate awarding organizations of the Federal Government for their use.

An indirect cost proposal together with supporting information are required to substantiate your claim for indirect costs under grants and contracts awarded by the Federal Government. Thus, your next proposal based on your fiscal year ending 06/30/02, is due in our office by 12/31/02.

Sincerely,

  
David S. Low  
Director

Enclosures

PLEASE SIGN AND RETURN THE ORIGINAL OF THE NEGOTIATION AGREEMENT

Phone: (415) 437-7820 - Fax: (415) 437-7823 - E-mail: dcasf@psc.gov

**COLLEGES AND UNIVERSITIES RATE AGREEMENT**

UN #:

DATE: February 4, 1999

INSTITUTION:  
San Mateo County Community College District  
3401 CSM Drive

FILING REF.: The preceding  
Agreement was dated  
February 21, 1996

San Mateo

CA 94402

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

**SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES\***

RATE TYPES: FIXED                  FINAL                  PROV. (PROVISIONAL)                  PRED. (PREDETERMINED)

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
PRED.	07/01/99	06/30/03	30.0	All	All Programs
PROV.	07/01/03	06/30/04	30.0	All	All Programs

\*BASE:

Direct salaries and wages including all fringe benefits.

**INSTITUTION:**

San Mateo County Community College District

**AGREEMENT DATE:** February 4, 1999

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**SECTION II: SPECIAL REMARKS**

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**TREATMENT OF FRINGE BENEFITS:**

This organization charges the actual cost of each fringe benefit direct to Federal projects. However, it uses a fringe benefit rate which is applied to salaries and wages in budgeting fringe benefit costs under project proposals. The fringe benefits listed below are treated as direct costs.

**TREATMENT OF PAID ABSENCES:**

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for the costs of these paid absences are not made.

**DEFINITION OF EQUIPMENT**

Equipment is defined as tangible nonexpendable personal property having a useful life of more than one year and an acquisition costs of \$500 or more per unit.

The following fringe benefits are treated as direct costs:

FICA, RETIREMENT PLAN, UNEMPLOYMENT, WORKERS COMPENSATION, HEALTH/DENTAL/LIFE INSURANCE, AND SALARY INCOME PROTECTION.

INSTITUTION:  
San Mateo County Community College District

AGREEMENT DATE: February 4, 1999

SECTION III: GENERAL

A. LIMITATIONS:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its facilities and administrative cost pools as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as facilities and administrative costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from facilities and administrative to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:

The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21 Circular, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the agreement.

BY THE INSTITUTION:

San Mateo County Community College District

\_\_\_\_\_  
(INSTITUTION)

*Joseph Newmyer*  
\_\_\_\_\_  
(SIGNATURE)

Joseph Newmyer  
\_\_\_\_\_  
(NAME)

Acting Associate Chancellor  
\_\_\_\_\_  
(TITLE)

3-2-99  
\_\_\_\_\_  
(DATE)

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT:

\_\_\_\_\_  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

\_\_\_\_\_  
(AGENCY)

*David S. Low*  
\_\_\_\_\_  
(SIGNATURE)

David S. Low  
\_\_\_\_\_  
(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION  
\_\_\_\_\_  
(TITLE)

February 4, 1999  
\_\_\_\_\_  
(DATE) 0213

HHS REPRESENTATIVE: May J. Wong  
Telephone: (415) 437-7820



Hearing: 5/25/89  
File Number: CSM-4206  
Staff: Deborah Fraga-Decker  
WP 0366d

PROPOSED PARAMETERS AND GUIDELINES AMENDMENTS  
Chapter 1, Statutes of 1984, 2nd E.S.  
Chapter 1118, Statutes of 1987  
Health Fee Elimination ✓

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Executive Summary

At its hearing of November 20, 1986, the Commission on State Mandates found that Chapter 1, Statutes of 1984, 2nd E.S., imposed state mandated costs upon local community college districts by (1) requiring those community college districts which provided health services for which it was authorized to and did charge a fee to maintain such health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter and (2) repealing the district's authority to charge a health fee. The requirements of this statute would repeal on December 31, 1987, unless subsequent legislation was enacted.

Chapter 1118, Statutes of 1987, was enacted September 24, 1987, and became effective January 1, 1988. Chapter 1118/87 modified the requirements contained in Chapter 1/84, 2nd E.S., to require those community college districts which provided health services in fiscal year 1986-87 to maintain such health services in the 1987-88 fiscal year and each fiscal year thereafter. Additionally, the language contained in Chapter 1/84, 2nd E.S., which repealed the districts' authority to charge a health fee to cover the costs of the health services program was allowed to sunset, thereby reinstating the districts' authority to charge a fee as specified. Parameters and guidelines amendments are appropriate to address the changes contained in Chapter 1118/87 because this statute amended the same Education Code sections previously enacted by Chapter 1/84, 2nd E.S., and found to contain a mandate.

Commission staff included the Department of Finance suggested non-substantive amendment to the staff's proposed parameters and guidelines amendments. The Chancellor's Office, the State Controller's Office, and the claimant are in agreement with these amendments. Therefore, staff recommends that the Commission adopt the parameters and guidelines amendments as requested by the Chancellor's Office and as developed by staff.

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Claimant

Rio Hondo Community College District

Requesting Party

California Community Colleges Chancellor's Office

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### Chronology

12/2/85 Test Claim filed with Commission on State Mandates.  
7/24/86 Test Claim continued at claimant's request.  
11/20/86 Commission approved mandate.  
1/22/87 Commission adopted Statement of Decision.  
4/9/87 Claimant submitted proposed parameters and guidelines.  
8/27/87 Commission adopted parameters and guidelines  
10/22/87 Commission adopted cost estimate  
9/28/88 Mandate funded in Commission's Claims Bill, Chapter 1425/88

### Summary of Mandate

Chapter 1/84, 2nd E.S., effective July 1, 1984, repealed Education Code (EC) Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required that any community college district which provided health services for which it was authorized to charge a fee shall maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter.

Prior to the passage of Chapter 1/84, 2nd E.S., the implementation of a health services program was at the local community college district's option. If implemented, the respective community college district had the authority to charge a health fee up to \$7.50 per semester for day and evening students, and \$5 per summer session.

### Proposed Amendments

The Community Colleges Chancellor's Office (Chancellor's Office) has requested parameters and guidelines amendments be made to address the changes in mandated activities effectuated by Chapter 1118/87. (Attachment G) In order to expedite the process, staff has developed language to accomplish the following: (1) change the eligible claimants to those community college districts which provided a health services program in fiscal year 1986-87; and (2) change the offsetting savings and other reimbursements to include the reinstated authority to charge a health fee. (Attachment B)

### Recommendations

The Department of Finance (DOF) proposed one non-substantive amendment to clarify the effect of the fee authority language on the scope of the reimbursable costs. With this amendment, the DOF believes the amendments to the parameters and guidelines are appropriate for this mandate and recommends the Commission adopt them. (Attachment C)

The Chancellor's Office recommends that the Commission approve the amended parameters and guidelines developed by staff with the additional language suggested by the DOF. (Attachment D)

The State Controller's Office (SCO), upon review of the proposed amendments, finds the proposals proper and acceptable. (Attachment E)

The claimant, in its recommendation, states its belief that the revisions are appropriate and concurs with the proposed changes. (Attachment F)

### Staff Analysis

#### Issue 1: Eligible Claimants

The mandate found in Chapter 1/84, 2nd E.S., was for a new program with a required maintenance of effort at the fiscal year 1983-84 level. Chapter 1118/87 superseded that level of service by requiring that community college districts which provided a health services program in fiscal year 1986-87 maintain that level of effort in fiscal year 1987-88 and each subsequent year thereafter. Additionally, this expanded the group of eligible claimants because the requirement is no longer imposed on only those community college districts which had charged a health fee for the program. At the time of enactment of Chapter 1118/87, there were 11 community college districts which provided the health services program but had never charged a health fee for the service.

Therefore, staff has amended the language in Item III. "Eligible Claimants" to reflect this change in the scope of the mandate.

#### Issue 2: Reimbursement Alternatives

In response to Chapter 1/84, 2nd E.S., Item VI.B. contained two alternatives for claiming reimbursement costs. This gave claimants a choice between claiming actual costs for providing the health services program, or funding the program as was done prior to the mandate when a health fee could be charged.

The first alternative was in Item VI.B.1. and provided for the use of the formula which the eligible claimants were authorized to utilize prior to the implementation of Chapter 1/84, 2nd E.S.--total eligible enrollment multiplied by the health fee charged per student in fiscal year 1983-84. With the sunset of the repeal of the health fee authority as contained in Chapter 1/84, 2nd E.S., claimants can now charge the health fee as was allowed prior to fiscal year 1983-84, thereby funding the program as was done prior to the mandate. Therefore, this alternative is no longer applicable to this mandate and has been deleted by staff.

The second alternative was in Item VI.B.2. and provided for the claiming of actual costs involved in maintaining a health services program at the fiscal year 1983-84 level. This alternative is now the sole method of reimbursement for this mandate. However, it has been amended to reflect that Chapter 1118/87 requires a maintenance of effort at the fiscal year 1986-87 level.

Issue 3: Offsetting Savings and Other Reimbursements

With the sunset of the repeal of the fee authority contained in Chapter 1/84, 2nd E.S., Education Code (EC) section 72246(a) again provides community college districts with the authority to charge a health fee as follows:

"72246.(a) The governing board of a district maintaining a community college may require community college students to pay a fee in the total amount of not more than seven dollars and fifty cents (\$7.50) for each semester, and five dollars (\$5) for summer school, or five dollars (\$5) for each quarter for health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, authorized by Section 72244, or both."

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of this fee authority.

In response to that amendment, the DOF has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

"If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied."

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII.

Issue 4: Editorial Changes

In preparing the proposed parameters and guidelines amendments, it was not necessary for staff to make any of the normal editorial changes as the original parameters and guidelines contained the language usually adopted by the commission.

Staff, the DOF, the Chancellor's Office, the SCO, and the claimant are in agreement with the recommended amendments which are shown in Attachment A with additions indicated by underlining and deletions by strikeout.

Staff Recommendation

Staff recommends the adoption of the staff's proposed parameters and guidelines amendments, which are based on the original parameters and guidelines adopted in response to Chapter 1/84, 2nd E.S., and amended in response to Chapter 1118/87, as well as incorporating the amendment recommended by the DOF. All parties concur with these amendments.

Adopted: 8/27/87

PARAMETERS AND GUIDELINES  
Chapter 1118, Statutes of 1987, 2nd E.S.  
Health Fee Elimination

I. SUMMARY OF MANDATE

Chapter 1, Statutes of 1984, 2nd E.S. repealed Education Code Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during the 1983-84 fiscal year had to be maintained at that level in the 1984-85 fiscal year and every year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community colleges districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 to require any community college district that provided health services in 1986-87 to maintain health services at the level provided during the 1986-87 fiscal year in 1987-88 and each fiscal year thereafter.

II. COMMISSION ON STATE MANDATES' DECISION

At its hearing on November 20, 1986, the Commission on State Mandates determined that Chapter 1, Statutes of 1984, 2nd E.S. imposed a "new program" upon community college districts by requiring any community college district which provided health services for which it was authorized to charge a fee pursuant to former Section 72246 in the 1983-84 fiscal year to maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter. This maintenance of effort requirement applies to all community college districts which levied a health services fee in the 1983-84 fiscal year, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the 1983-84 fiscal year level.

At its hearing of 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 which provided health services in fiscal year 1986-87 and required them to maintain that level in fiscal year 1987-88 and each fiscal year thereafter.

III. ELIGIBLE CLAIMANTS

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

#### IV. PERIOD OF REIMBURSEMENT

Chapter 1, Statutes of 1984, 2nd E.S., became effective July 1, 1984. Section 17557 of the Government Code states that a test claim must be submitted on or before November 30th following a given fiscal year to establish for that fiscal year. The test claim for this mandate was filed on November 27, 1985; therefore, costs incurred on or after July 1, 1984, are reimbursable. Chapter 1118, Statutes of 1987, became effective January 1, 1988. Title 2, California Code of Regulations, section 1185.3(a) states that a parameters and guidelines amendment filed before the deadline for initial claims as specified in the Claiming Instructions shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines; therefore, costs incurred on or after January 1, 1988, for Chapter 1118, Statutes of 1987, are reimbursable.

Actual costs for one fiscal year should be included in each claim. Estimated costs for the subsequent year may be included on the same claim if applicable. Pursuant to Section 17561(d)(3) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days of notification by the State Controller of the enactment of the claims bill.

If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise allowed by Government Code Section 17564.

#### V. REIMBURSABLE COSTS

##### A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program ~~without the authority~~ ~~to/they/it/fee~~. Only services provided ~~for/fee/in~~ 1986-7 fiscal year may be claimed.

##### B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year ~~1987-88~~ 1986-87:

##### ACCIDENT REPORTS

##### APPOINTMENTS

College Physician - Surgeon  
Dermatology, Family Practice, Internal Medicine  
Outside Physician  
Dental Services  
Outside Labs (X-ray, etc.)  
Psychologist, full services  
Cancel/Change Appointments  
R.N.  
Check Appointments

ASSESSMENT, INTERVENTION & COUNSELING

Birth Control  
Lab Reports  
Nutrition  
Test Results (office)  
VD  
Other Medical Problems  
CD  
URI  
ENT  
Eye/Vision  
Derm./Allergy  
Gyn/Pregnancy Services  
Neuro  
Ortho  
GU  
Dental  
GI  
Stress Counseling  
Crisis Intervention  
Child Abuse Reporting and Counseling  
Substance Abuse Identification and Counseling  
Aids  
Eating Disorders  
Weight Control  
Personal Hygiene  
Burnout

EXAMINATIONS (Minor Illnesses)

Recheck Minor Injury

HEALTH TALKS OR FAIRS - INFORMATION

Sexually Transmitted Disease  
Drugs  
Aids  
Child Abuse  
Birth Control/Family Planning  
Stop Smoking  
Etc.  
Library - videos and cassettes

FIRST AID (Major Emergencies)

FIRST AID (Minor Emergencies)

FIRST AID KITS (Filled)

IMMUNIZATIONS

Diphtheria/Tetanus  
Measles/Rubella  
Influenza  
Information

INSURANCE

On Campus Accident  
Voluntary  
Insurance Inquiry/Claim Administration

LABORATORY TESTS DONE

Inquiry/Interpretation  
Pap Smears

PHYSICALS

Employees  
Students  
Athletes

MEDICATIONS (dispensed OTC for misc. illnesses)

Antacids  
Antidiarrhial  
Antihistamines  
Aspirin, Tylenol, etc.  
Skin rash preparations  
Misc.  
Eye drops  
Ear drops  
Toothache - Oil cloves  
Stingkill  
Midol - Menstrual Cramps

PARKING CARDS/ELEVATOR KEYS

Tokens  
Return card/key  
Parking inquiry  
Elevator passes  
Temporary handicapped parking permits

REFERRALS TO OUTSIDE AGENCIES

Private Medical Doctor  
Health Department  
Clinic  
Dental  
Counseling Centers  
Crisis Centers  
Transitional Living Facilities (Battered/Homeless Women)  
Family Planning Facilities  
Other Health Agencies

TESTS

Blood Pressure  
Hearing  
Tuberculosis  
    Reading  
    Information  
Vision  
Glucometer  
Urinalysis  
Hemoglobin  
E.K.G.  
Strep A testing  
P.G. testing  
Monospot  
Hemacult  
Misc.

MISCELLANEOUS

- Absence Excuses/PE Waiver
- Allergy Injections
- Band-aids
- Booklets/Pamphlets
- Dressing Change
- Rest
- Suture Removal
- Temperature
- Weigh
- Misc.
- Information
- Report/Form
- Wart Removal

COMMITTEES

- Safety
- Environmental
- Disaster Planning

SAFETY DATA SHEETS

- Central file

X-RAY SERVICES

COMMUNICABLE DISEASE CONTROL

BODY FAT MEASUREMENTS

MINOR SURGERIES

SELF-ESTEEM GROUPS

MENTAL HEALTH CRISIS

AA GROUP

ADULT CHILDREN OF ALCOHOLICS GROUP

WORKSHOPS

- Test Anxiety
- Stress Management
- Communication Skills
- Weight Loss
- Assertiveness Skills

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a list of each item for which reimbursement is claimed under this mandate. // Eligible claimants may claim costs under one of two alternatives: // 1) Fee amount previously collected per student and enrollment count // or // 2) actual costs of program.

A. Description of Activity

1. Show the total number of full-time students enrolled per semester/quarter.
2. Show the total number of full-time students enrolled in the summer program.
3. Show the total number of part-time students enrolled per semester/quarter.
4. Show the total number of part-time students enrolled in the summer program.

B. Claiming/Alternatives

Claimed costs should be supported by the following information:

Alternative/1//Fees/Previously/Collected/in/1983-84/Fiscal/Year/

1/ Fees/collected/in/the/1983-84/fiscal/year/to/support/the/health/services/program/

2/ Total/number/of/students/under/item/1/1/1/through/4/above///Using>this/alternative/the/total/amount/claimed/would/be/item/1/1/1/multiplied/by/item/1/1/2//with/the/total/amount/reimbursed/increased/by/the/applicable/improvement/provide/delivery/

Alternative/2//Actual Costs of Claim Year for Providing 1983-84 Fiscal Year Program Level of Service.

1. Employee Salaries and Benefits

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, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

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

VII. SUPPORTING DATA

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 19836-847 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

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. This shall include the amount of \$7.50 per full-time student per semester, \$5.00 per full-time student for summer school, or \$5.00 per full-time student per quarter, as authorized by Education Code section 72246(a). This shall also include payments (fees) ~~now~~ received from individuals other than students who ~~are~~ are not covered by ~~former~~ Education Code Section 72246 for health services.

IX. REQUIRED CERTIFICATION

The following certification must accompany the claim:

I DO HEREBY CERTIFY under penalty of perjury:

THAT the foregoing is true and correct:

THAT Section 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with;

and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone No.

## CALIFORNIA COMMUNITY COLLEGES

1107 NINTH STREET  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-8752 445-1163



February 22, 1989



Mr. Robert W. Eich  
Executive Director  
Commission on State Mandates  
1130 "K" Street, Suite LL50  
Sacramento, CA 95814-3927

Dear Mr. Eich:

As you know, the Commission on August 27, 1987 adopted Parameters and Guidelines for claiming reimbursements of mandated costs related to community college health services. Fees formerly collected by community colleges had been eliminated by Chapter 1, Statutes of 1984, Second Extraordinary Session. Last year's mandate claims bill (AB 2763) included funding to pay all these claims through 1988-89.

The Governor's partial approval of AB 2763 last September included a stipulation that claims for the current year would be paid this fiscal year, but prior-year claims will be paid in equal installments from the next three budget acts. The Governor did not address the fact that the ongoing costs of providing the mandated level of service will continue to exceed the maximum permissible fee of \$7.50 per student per semester.

On behalf of all eligible community college districts, the Chancellor's Office proposes the following changes in the Parameters and Guidelines:

- o Payment of 1988-89 mandated costs in excess of maximum permissible fees. (This amount is payable from AB 2763.)
- o Payment of all prior-year claims in installments over the next three years. (Funds for these payments will be included in the next 3 budget acts.)
- o Payment of future-years mandated costs in excess of the maximum permissible fees. (No funding has yet been provided for these costs.)

Mr. Eich

2

February 22, 1989

If you have any questions regarding this proposal, please contact Patrick Ryan at (916) 445-1163.

Sincerely,

*David Mertes*

DAVID MERDES  
Chancellor

DM:PR:mh

cc: / Deborah Fraga-Decker, CSM  
Douglas Burris  
Joseph Newmyer  
Gary Cook

State of California

**Memorandum**

Date : March 22, 1989

To : Deborah Fraga-Decker  
Program Analyst  
Commission on State Mandates

From : Department of Finance

Proposed Amendments to Parameters and Guidelines for Claim No. CSM-4206 -- Chapter 1, Statutes of 1984, 2nd E.S. and Chapter 1118, Statutes of 1987 -- Health Fee Elimination

Pursuant to your request, the Department of Finance has reviewed the proposed amendments to the parameters and guidelines related to community college health services. These amendments, which are requested by the Chancellor's Office, reflect the impact that Chapter 1118/87 has on the original parameters adopted by the Commission for Chapter 1/84 on August 27, 1987. Specifically, Chapter 1118/87:

- (1) requires districts which were providing health services in 1986-87, rather than 1983-84, to continue to provide such services, irrespective of whether or not a fee was charged for the services; and
- (2) allows all districts to again charge a fee of up to \$7.50 per student for the services. In this regard, we would point out that the proposed amendment to "VIII. Offsetting Savings, and Other Reimbursements" could be interpreted to require that, if a district elected not to charge fees it would not have to deduct anything from its claim. We believe that, pursuant to Section 17556 (d) of the Government Code, an amount equal to \$7.50 per student must be deducted whether or not it is actually charged since the district has the authority to levy the fee. We suggest that the following language be added as a second paragraph under "VIII": "If a claimant does not levy the fee authorized by Education Code Section 72246 (a), it shall deduct an amount equal to what it would have received had the fee been levied."

With the amendment described above, we believe the amendments to the parameters and guidelines are appropriate for this mandate and recommend the Commission adopt them at its April 27, 1989, meeting.

Any questions regarding this recommendation should be directed to James M. Apps or Kim Clement of my staff at 324-0043.

  
Fred Klass  
Assistant Program Budget Manager

cc: see second page

cc: Glen Beatie, Stat' Controller's Office  
Pat Ryan, Chancel /'s Office, Community College  
Juliet Musso, Legislative Analyst's Office  
Richard Frank, Attorney General

LR:1988-2

OFFICE

GEORGE DEUKMEJIAN, Governor

## CALIFORNIA COMMUNITY COLLEGES

1001 NINTH STREET  
 SACRAMENTO, CALIFORNIA 95814  
 (916) 445-8752 445-1163



April 3, 1989

Mr. Robert W. Eich  
 Executive Director  
 Commission on State Mandates  
 110 K Street, Suite LL50  
 Sacramento, CA 95814

Attention: Ms. Deborah Fraga-Decker

Subject: CSM 4206  
 Amendments to Parameters and Guidelines  
 Chapter 1, Statutes of 1984, 2nd E.S.  
 Chapter 118, Statutes of 1987  
Health Fee Elimination

Dear Mr. Eich:

In response to your request of March 8, we have reviewed the proposed language changes necessary to amend the existing parameters and guidelines to meet the requirements of Chapter 1118, Statutes of 1987.

The Department of Finance has also provided us a copy of their suggestion to add the following language in part VIII: "If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied." This office concurs with their suggestion which is consistent with the law and with our request of February 22.

With the additional language suggested by the Department of Finance, the Chancellor's Office recommends approval of the amended parameters and guidelines as drafted for presentation to the Commission on April 27, 1989.

Sincerely,

*David Merties*

DAVID MERTIES  
 Chancellor

DM:PR:mh

cc: Jim Apps, Department of Finance  
 Glen Beatie, State Controller's Office  
 Richard Frank, Attorney General's Office  
 Juliet Muso, Legislative Analyst's Office  
 Douglas Burris  
 Joseph Newmyer  
 Gary Cook



GRAY DAVIS  
Controller of the State of California  
P. O. BOX 942850  
SACRAMENTO, CA 94250-0001

April 3, 1989

Ms. Deborah Fraga-Decker  
Program Analyst  
Commission on State Mandates  
1130 K Street, Suite LL50  
Sacramento, CA 95814



Dear Ms. Fraga-Decker:

RE: Proposed Amendments to Parameters and Guidelines: Chapter 1/84, 2nd  
E.S., and Chapter 1118/87 - Health Fee Elimination

We have reviewed the amendments proposed on the above subject and find the proposals proper and acceptable.

However, the Commission may wish to clarify section "VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS" that the required offset is the amount received or would have received per student in the claim year.

If you have any questions, please call Glen Beatie at 3-8137.

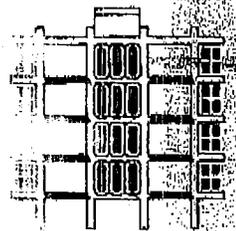
Sincerely,

A handwritten signature in cursive script, appearing to read "Glenn Haas".

Glenn Haas, Assistant Chief  
Division of Accounting

GH/GB:dvl

SC81822



HR/60

**RIO HONDO COMMUNITY COLLEGE DISTRICT**  
3600 Workman Mill Road • Whittier, CA 90608 • Phone (213) 692-0921



March 16, 1989

Ms. Deborah Fraga-Decker  
Program Analyst  
Commission on State Mandates  
1130 K Street, Suite LL50  
Sacramento, CA 95814

REFERENCE: CSM-4206  
AMENDMENTS TO PARAMETERS AND GUIDELINES  
CHAPTER 1, STATUTES OF 1984, 2ND E.S.  
CHAPTER 1118, STATUTES OF 1987  
HEALTH FEE ELIMINATION

Dear Deborah:

We have reviewed your letter of March 7 to Chancellor David Mertes and the attached amendments to the health fee parameters and guidelines. We believe these revisions to be most appropriate and concur totally with the changes you have proposed.

I would like to thank you again for your expertise and helpfulness throughout this entire process.

Yours very truly,

Timothy M. Wood  
Vice President  
Administrative Affairs

TMW:hh



MINUTES

COMMISSION ON STATE MANDATES

May 25, 1989

10:00 a.m.

State Capitol, Room 437

Sacramento, California

Present were: Chairperson Russell Gould, Chief Deputy Director, Department of Finance; Fred R. Buenrostro, Representative of the State Treasurer; D. Robert Shuman, Representative of the State Controller; Robert Martinez, Director, Office of Planning and Research; and Robert C. Creighton, Public Member.

There being a quorum present, Chairperson Gould called the meeting to order at 10:02 a.m.

Item 1 Minutes

Chairperson Gould asked if there were any corrections or additions to the minutes of the Commission's hearing of April 27, 1989. There were no corrections or additions.

The minutes were adopted without objection.

Consent Calendar

The following items were on the Commission's consent agenda:

- Item 2 Proposed Statement of Decision  
Chapter 406, Statutes of 1988  
Special Election - Bridges
- Item 3 Proposed Statement of Decision  
Chapter 583, Statutes of 1985  
Infectious Waste Enforcement
- Item 4 Proposed Statement of Decision  
Chapter 980, Statutes of 1984  
Court Audits
- Item 5 Proposed Statement of Decision  
Chapter 1286, Statutes of 1985  
Homeless Mentally Ill

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- Item 6 Proposed Parameters and Guidelines Amendment  
Chapter 1, Statutes of 1984, 2nd E.S.  
Chapter 1118, Statutes of 1987  
Health Fee Elimination
- Item 7 Proposed Parameters and Guidelines Amendment  
Chapter 8, Statutes of 1988  
Democratic Presidential Delegates
- Item 10 Proposed Statewide Cost Estimate  
Chapter 498, Statutes of 1983  
Education Code Section 48260.5  
Notification of Truancy
- Item 12 Proposed Statewide Cost Estimate  
Chapter 1226, Statutes of 1984  
Chapter 1526, Statutes of 1985  
Investment Reports

There being no discussion or appearances on Items 2, 3, 4, 5, 6, 7, 10, and 12, Member Buenrostro moved adoption of the staff recommendation on these items on the consent calendar. Member Martinez seconded the motion. The vote on the motion was unanimous. The motion carried.

The following items were continued:

- Item 13 Proposed Statewide Cost Estimate  
Chapter 1335, Statutes of 1986  
Trial Court Delay Reduction Act
- Item 16 Test Claim  
Chapter 841, Statutes of 1982  
Patients' Rights Advocates
- Item 17 Test Claim  
Chapter 921, Statutes of 1987  
Countywide Tax Rates

The next item to be heard by the Commission was:

- Item 8 Proposed Parameters and Guidelines Amendment  
Chapter 961, Statutes of 1975  
Collective Bargaining

The party requesting the proposed amendment, Fountain Valley School District, did not appear at the hearing. Carol Miller, appearing on behalf of the Education Mandated Cost Network, stated that the Network was interested in the issue of reimbursing a school district for the time the district Superintendent spent in, or preparing for, collective bargaining issues.

The Commission then discussed the issue of reimbursing the Superintendent's time as a direct cost to the mandated program or as an indirect cost as required by the federal publications OASC-10, and Federal Management Circular 74-4. Upon conclusion of this discussion, the Commission, staff, and Ms. Miller, agreed that the Commission could deny this proposed amendment by the Fountain Valley School District, and Ms. Miller could assist another district in an attempt to amend the parameters and guidelines to allow reimbursement of the Superintendent's cost relative to collective bargaining matters.

Member Creighton then inquired on the issue of holding collective bargaining sessions outside of normal working hours and the number of teachers the parameters and guidelines reimburse for participating in collective bargaining sessions. Ms. Miller stated that because of the classroom disruption that can result from the use of a substitute teacher, bargaining sessions are sometimes held outside of normal work hours for practical reasons. Ms. Miller also stated that the parameters and guidelines permit reimbursement for five substitute teachers.

Member Martinez moved and Member Buenrostro seconded a motion to adopt the staff recommendation to deny the proposed amendments to the parameters and guidelines. The roll call vote on the motion was unanimous. The motion carried.

Item 9 Proposed Statewide Cost Estimate  
Chapter 498, Statutes of 1983  
Education Code Section 51225.3  
Graduation Requirements

Carol Miller appeared on behalf of the claimant, Santa Barbara Unified School District, Jim Apps and Don Enderton appeared on behalf of the Department of Finance, and Rick Knott appeared on behalf of the San Diego Unified School District.

Carol Miller began the discussion on this matter by stating her objection to the Department of Finance raising issues that were already argued in the parameters and guidelines hearings for this mandate. Based on this objection, Ms. Miller requested that the Commission adopt staff's recommendation and allow the Controller's Office to handle any audit exceptions.

Jim Apps stated that because school districts did not report funds that have been received by them, then the data reported in the survey is suspect. Therefore, the Department of Finance is not convinced that the cost estimate based on the data received by the schools is legitimate.

Discussion continued on the validity of the cost estimate and on the figures presented to the Commission for its consideration.

Member Creighton then made a motion to adopt staff's recommendation. Member Shuman seconded the motion. The vote on the motion was: Member Buenrostro, no; Member Creighton, aye; Member Martinez, no; Member Shuman, aye; and Chairperson Gould, no. The motion failed.

Chairperson Gould made an alternative motion that staff, the Department of Finance, and the school districts, conduct a pre-hearing conference and agree on an estimate to be presented to the Commission at a future hearing. Member Buenrostro seconded the motion. The roll call vote on the motion was unanimous. The motion carried.

Item 11 Statewide Cost Estimate  
Chapter 815, Statutes of 1979  
Chapter 1327, Statutes of 1984  
Chapter 757, Statutes of 1985  
Short-Doyle Case Management

Pamela Stone, representing the County of Fresno, stated that the county was in agreement with the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years, and was opposed to the reduction of the costs estimate being proposed by the Department of Mental Health's late filing.

Lynn Whetstone, representing the Department of Mental Health, stated that the Department agrees with the methodology used by Commission staff to develop the cost estimate, however, the Department questioned the manner in which Commission staff extrapolated its survey figures into a statewide estimate. Ms. Whetstone stated that due to the reasons stated in its late filing, the Department believes that the cost estimate be reduced to \$17,280,000.

Member Shuman moved, and Member Martinez seconded a motion to adopt the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years. The roll call vote on the motion was unanimous. The motion carried.

Item 14 State Mandates Apportionment System  
Request for Review of Base Year Entitlement  
Chapter 1242, Statutes of 1977  
Senior Citizens' Property Tax Postponement

Leslie Hobson appeared on behalf of the claimant, County of Placer, and stated agreement with the staff analysis.

There were no other appearances and no further discussion.

Member Creighton moved approval of the staff recommendation. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 15 Test Claim  
Chapter 670, Statutes of 1987  
Assigned Judges

Vicki Wajdak and Pamela Stone appeared on behalf of the claimant, County of Fresno. Beth Mullen appeared on behalf of the Administrative Office of

the Courts. Jim Apps appeared on behalf of the Department of Finance. Allan Burdick appeared on behalf of the County Supervisors Association of California. Pamela Stone restated the claimant's position that the revenue losses due to this statute were actually increased costs because Fresno is now required to compensate its part-time justice court judges for work performed for another county while on assignment. Beth Mullen stated her opposition to this interpretation because Fresno's part-time justice court judge cannot be assigned elsewhere until all work required to be performed for Fresno has been completed; therefore, Fresno is only required to compensate the judge for its own work.

There followed discussion by the parties and the Commission regarding the applicability of the Supreme Court's decisions in County of Los Angeles and Lucia Mar. Chairperson Gould asked Commission Counsel Gary Hori whether this statute imposed a new program and higher level of service as contemplated by these two decisions. Mr. Hori stated that it did meet the definition of new program and higher level of service as contemplated by the Supreme Court.

Member Creighton moved to adopt the staff recommendation to find a mandate on counties whose part-time justice court judge is assigned within the home county. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 18 Test Claim  
Chapter 1247, Statutes of 1977  
Chapter 797, Statutes of 1980  
Chapter 1373, Statutes of 1980  
Public Law 99-372  
Attorney's Fees - Special Education

Chairperson Gould recused himself from the hearing on this item.

Clayton Parker, representing the Newport-Mesa Unified School District, submitted a late filing on the test claim rebutting the staff analysis. Member Creighton stated that he had not had an opportunity to review the late filing and inquired on whether the claim should be heard at this hearing. Staff informed Member Creighton and Member Buenrostro that in reviewing the filing before this item was called, the filing appeared to be summary of the claimant's position on the staff analysis, and that there appeared to be no reason to continue the item.

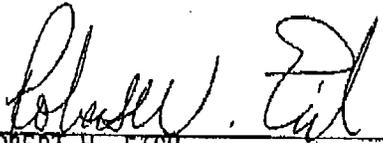
Mr. Parker stated that Commission staff had misstated the events that resulted in the claimant having to pay attorneys' fees to a pupil's guardians, and because of case law, courts do not have any discretion in awarding attorney's fees. Mr. Parker stated that because state legislation has codified the federal Education of the Handicapped Act, school districts are subject to the provisions of Public Law 94-142 and Public Law 99-372. Member Buenrostro then inquired whether staff was comfortable with discussing the issue of a state executive order incorporating federal law.

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Hearing of May 25, 1989  
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Staff informed the Commission that it was not comfortable discussing this issue, and further noted that it appeared that Mr. Parker was basing his reasoning for finding P.L. 99-372 to be a state mandated program, on the Board of Control's finding that Chapter 1247, Statutes of 1977, and Chapter 797, Statutes of 1980, were a state mandated program. Staff noted that Board of Control's finding is currently the subject of the litigation in Huff v. Commission on State Mandates (Sacramento County Superior Court Case No. 352295).

Member Creighton moved and Member Martinez seconded a motion to continue this item and have legal counsel and staff review the arguments presented by Mr. Parker. The vote on the motion was unanimous. The motion carried.

With no further items on the agenda, Chairperson Gould adjourned the hearing at 11:45 a.m.



ROBERT W. EICH  
Executive Director

RWE:GLH:cm:0224g

**DISTRICT'S**  
**INCORRECT REDUCTION CLAIM**  
**FILED WITH THE**  
**COMMISSION ON STATE MANDATES**  
**ON SEPTEMBER 6, 2005**

C-1

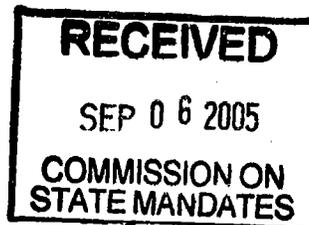
# SixTen and Associates

## Mandate Reimbursement Services

---

KEITH B. PETERSEN, MPA, JD, President  
6252 Balboa Avenue, Suite 807  
San Diego, CA 92117

Telephone: (858) 514-8605  
Fax: (858) 514-8645  
E-Mail: Kbpsixten@aol.com



September 1, 2005

Paula Higashi, Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

RE: Health Fee Elimination  
Fiscal Years: 1999-00 through 2001-02  
Incorrect Reduction Claim

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for San Mateo Community College District.

SixTen and Associates has been appointed by the District as its representative for this matter and all interested parties should direct their inquiries to me, with a copy as follows:

Jim Keller, Executive Vice-Chancellor  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402

Thank-you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith B. Petersen".

Keith B. Petersen

State of California  
COMMISSION ON STATE MANDATES  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562  
CSM 2 (12/89)

For Official Use Only

RECEIVED

SEP 06 2005

COMMISSION ON  
STATE MANDATES

05-4206-I-04

**INCORRECT REDUCTION CLAIM FORM**

Local Agency or School District Submitting Claim

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**Contact Person**

Keith B. Petersen, President  
SixTen and Associates  
5252 Balboa Avenue, Suite 807  
San Diego, CA 92117

**Telephone Number**

Voice: 858-514-8605  
Fax: 858-514-8645  
E-mail: Kbpsixten@aol.com

**Address**

Jim Keller, Executive Vice-Chancellor  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402

**Representative Organization to be Notified**

Robert Miyashiro, Consultant, Education Mandated Cost Network  
c/o School Services of California  
1121 L Street, Suite 1060  
Sacramento, CA 95814

**Telephone Number**

Voice: 916-446-7517  
Fax: 916-446-2011  
E-mail: robertm@SSCal.com

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to section 17561 of the Government Code. This incorrect reduction claim is filed pursuant to section 17561(b) of the Government Code.

**CLAIM IDENTIFICATION: Specify Statute or Executive Order**

**HEALTH FEE ELIMINATION** Chapter 1, Statutes of 1984, 2nd E.S. education Code Section 76355  
Chapter 1118, Statutes of 1987

<u>Fiscal Year</u>	<u>Amount of the Incorrect Reduction</u>
1999-2000	\$325,199
2000-2001	\$279,337
2001-2002	\$412,850
Total Amount	\$1,017,386

**IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.**

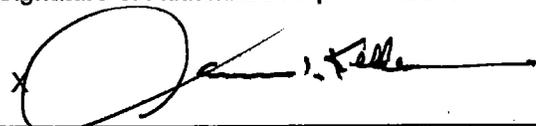
**Name and Title of Authorized Representative**

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**Signature of Authorized Representative**



**Date**

August 25, 2005

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8  
9 BEFORE THE  
10 COMMISSION ON STATE MANDATES  
11 STATE OF CALIFORNIA  
12

13 INCORRECT REDUCTION CLAIM OF: )  
14 ) No. CSM \_\_\_\_\_  
15 )  
16 ) Chapter 1, Statutes of 1984, 2nd E.S.  
17 ) Chapter 1118, Statutes of 1987  
18 SAN MATEO COUNTY )  
19 Community College District, ) Education Code Section 76355  
20 )  
21 ) Health Fee Elimination  
22 Claimant. )  
23 ) Annual Reimbursement Claims:  
24 )  
25 ) Fiscal Year 1999-00  
26 ) Fiscal Year 2000-01  
27 ) Fiscal Year 2001-02  
28 )  
29 \_\_\_\_\_ )  
30 INCORRECT REDUCTION CLAIM FILING

31 PART I. AUTHORITY FOR THE CLAIM

32 The Commission on State Mandates has the authority pursuant to Government  
33 Code Section 17551(d) to " . . . to hear and decide upon a claim by a local agency or  
34 school district, filed on or after January 1, 1985, that the Controller has incorrectly  
35 reduced payments to the local agency or school district pursuant to paragraph (2) of

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1 subdivision (d) of Section 17561.” San Mateo County Center Community College  
2 District (hereafter “district” or “claimant”) is a school district as defined in Government  
3 Code Section 17519.<sup>1</sup> Title 2, CCR, Section 1185 (a), requires the claimant to file an  
4 incorrect reduction claim with the Commission.

5 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),  
6 requires incorrect reduction claims to be filed no later than three years following the  
7 date of the Controller’s remittance advice notifying the claimant of a reduction. A  
8 Controller’s audit report dated January 7, 2005 has been issued, but no remittance  
9 advices have been issued. The audit report constitutes a demand for repayment and  
10 adjudication of the claim. On May 11, 2005, the Controller issued “results of review  
11 letters” reporting the audit results and amounts due the state and this constitutes a  
12 payment action.

13 There is no alternative dispute resolution process available from the Controller’s  
14 Office. In response to an audit issued March 10, 2004, Foothill-De Anza Community  
15 College attempted to utilize the informal audit review process established by the  
16 Controller to resolve factual disputes. The Foothill-De Anza was notified by the  
17 Controller’s legal counsel by letter of July 15, 2004 (attached as Exhibit “A”), that the

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<sup>1</sup> Government Code Section 17519, added by Chapter 1459, Statutes of 1984,  
Section 1:

“School district’ means any school district, community college district, or county  
superintendent of schools.”

Incorrect Reduction Claim of San Mateo County Community College District  
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1 Controller's informal audit review process was not available for mandate audits and that  
2 the proper forum was the Commission on State Mandates.

3 **PART II. SUMMARY OF THE CLAIM**

4 The Controller conducted a field audit of District's annual reimbursement claims  
5 for the District's actual costs of complying with the legislatively mandated Health Fee  
6 Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session and  
7 Chapter 1118, Statutes of 1987) for the period of July 1, 1999 through June 30, 2002.  
8 As a result of the audit, the Controller determined that \$1,017,386 of the claimed costs  
9 were unallowable:

10	<u>Fiscal</u> <u>Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Audit</u> <u>Adjustment</u>	<u>SCO</u> <u>Payments</u>	<u>Amount Due</u> <u>&lt;State&gt; District</u>
12	1999-00	\$357,148	\$325,199	\$357,148	<\$325,199>
13	2000-01	\$361,031	\$279,337	\$111,475	<\$ 29,781>
14	2001-02	<u>\$541,047</u>	<u>\$412,850</u>	<u>\$ 94,223</u>	<u>\$ 33,974</u>
15	Totals	\$1,259,226	\$1,017,386	\$562,846	<\$321,006>

16 Since the District has been paid \$562,846 for these claims, the audit report concludes  
17 that the amount of \$321,006 is due the State.

18 **PART III. PREVIOUS INCORRECT REDUCTION CLAIMS**

19 The District has not filed any previous incorrect reduction claims for this  
20 mandate program. The District is not aware of any other incorrect reduction claims  
21 having been adjudicated on the specific issues or subject matter raised by this incorrect  
22 reduction claim.



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quarter for health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, or both.

The governing board of each community college district may increase this fee by the same percentage increase as the Implicit Price Deflator for State and Local Government Purchase of Goods and Services. Whenever that calculation produces an increase of one dollar (\$1) above the existing fee, the fee may be increased by one dollar (\$1).

(b) If, pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.

(c) The governing board of a district maintaining a community college shall adopt rules and regulations that exempt the following students from any fee required pursuant to subdivision (a):

(1) Students who depend exclusively upon prayer for healing in accordance with the teachings of a bona fide religious sect, denomination, or organization.

(2) Students who are attending a community college under an approved apprenticeship training program.

(3) Low-income students, including students who demonstrate financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid and students who demonstrate eligibility according to income standards established by the board of governors and contained in Section 58620 of Title 5 of the California Code of Regulations.

(d) All fees collected pursuant to this section shall be deposited in the fund of the district designated by the California Community Colleges Budget and Accounting Manual. These fees shall be expended only to provide health services as specified in regulations adopted by the board of governors.

Authorized expenditures shall not include, among other things, athletic trainers' salaries, athletic insurance, medical supplies for athletics, physical examinations for intercollegiate athletics, ambulance services, the salaries of health professionals for athletic events, any deductible portion of accident claims filed for athletic team members, or any other expense that is not available to all students. No student shall be denied a service supported by student health fees on account of participation in athletic programs.

(e) Any community college district that provided health services in the 1986-87 fiscal year shall maintain health services, at the level provided during the 1986-87 fiscal year, and each fiscal year thereafter. If the cost to maintain that level of service exceeds the limits specified in subdivision (a), the excess cost shall be borne by the

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1 Section 72246, effective April 15, 1993.

2 2. Test Claim

3 On December 2, 1985, Rio Hondo Community College District filed a test claim  
4 alleging that Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, by eliminating the  
5 authority to levy a fee and by requiring a maintenance of effort, mandated additional  
6 costs by mandating a new program or the higher level of service of an existing program  
7 within the meaning of California Constitution Article XIII B, Section 6.

8 On November 20, 1986, the Commission on State Mandates determined that  
9 Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, imposed a new program upon  
10 community college districts by requiring any community college district, which provided  
11 health services for which it was authorized to charge a fee pursuant to former Section  
12 72246 in the 1983-1984 fiscal year, to maintain health services at that level in the  
13 1984-1985 fiscal year and each fiscal year thereafter.

14 At a hearing on April 27, 1989, the Commission of State Mandates determined  
15 that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to  
16 apply to all community college districts which provided health services in fiscal year  
17 1986-1987 and required them to maintain that level of health services in fiscal year

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district.

(f) A district that begins charging a health fee may use funds for startup costs from other district funds and may recover all or part of those funds from health fees collected within the first five years following the commencement of charging the fee.

(g) The board of governors shall adopt regulations that generally describe the types of health services included in the health service program.”

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1 1987-1988 and each fiscal year thereafter.

2 3. Parameters and Guidelines

3 On August 27, 1987, the original parameters and guidelines were adopted. On  
4 May 25, 1989, those parameters and guidelines were amended. A copy of the  
5 parameters and guidelines, as amended on May 25, 1989, is attached as Exhibit "B."  
6 So far as is relevant to the issues presented below, the parameters and guidelines  
7 state:

8 "V. REIMBURSABLE COSTS

9 A. Scope of Mandate

10 Eligible community college districts shall be reimbursed for  
11 the costs of providing a health services program. Only  
12 services provided in 1986-87 fiscal year may be claimed.

...

14 VI. CLAIM PREPARATION

...

15 B...

16 3. Allowable Overhead Cost

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

20 VII. SUPPORTING DATA

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

24 VIII OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

25 Any offsetting savings the claimant experiences as a direct result  
26 of this statute must be deducted from the costs claimed. In  
27 addition, reimbursement for this mandate received from any

1 source, e.g., federal, state, etc., shall be identified and deducted  
2 from this claim. This shall include the amount of \$7.50 per full-time  
3 student per semester, \$5.00 per full-time student for summer  
4 school, or \$5.00 per full-time student per quarter, as authorized by  
5 Education Code section 72246(a). This shall also include  
6 payments (fees) received from individuals other than students who  
7 are not covered by Education Code Section 72246 for health  
8 services. ...”

9 4. Claiming Instructions

10 The Controller has annually issued or revised claiming instructions for the  
11 Health Fee Elimination mandate. A copy of the September 1997 revision of the  
12 claiming instructions is attached as Exhibit “C.” The September 1997 claiming  
13 instructions are believed to be, for the purposes and scope of this incorrect reduction  
14 claim, substantially similar to the version extant at the time the claims which are the  
15 subject of this Incorrect reduction claim were filed. However, since the Controller's  
16 claim forms and instructions have not been adopted as regulations, they have no force  
17 of law, and, therefore, have no effect on the outcome of this incorrect reduction claim.

18 PART V. STATE CONTROLLER CLAIM ADJUDICATION

19 The Controller conducted an audit of District's annual reimbursement claims for  
20 fiscal years 1999-00, 2000-01 and 2001-02. The audit concluded that 19% of the  
21 District's costs, as claimed, were allowable. A copy of the January 7, 2005-audit report  
22 is attached as Exhibit “E.”

23 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

24 By letter dated October 28, 2004, the Controller transmitted a copy of its draft

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1 audit report. By letter dated November 15, 2004, the District objected to the proposed  
2 adjustments set forth in the draft audit report. A copy of District's letter of November  
3 15, 2004, is attached as Exhibit "E." The Controller then issued its final audit report  
4 without change to the adjustments as stated in the draft audit report.

5 PART VII. STATEMENT OF THE ISSUES

6 **Finding 1: Unallowable Salaries and Benefits, and Related Indirect Costs**

7 **Claimed**

8 The State Controller asserts that the District "overstated" employee salaries and  
9 benefits in the amount of \$610,127 and related indirect costs of \$183,038, for the three  
10 fiscal years audited. This amount appears to consist of the disallowance of specific  
11 employee time and some mathematical corrections to reported salaries of other  
12 employees. After the salaries were eliminated or adjusted, the Controller applied an  
13 "audited" benefit rate each year to determine benefit costs.

14 Disallowed Employees

15 Based on information received during the audit, the employees for whom all  
16 salary costs were disallowed are as follows:

17			Fiscal Year Employee Disallowed		
18	<u>Employee Name</u>	<u>Position</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
19	Ernest Rodriguez	Faculty	x	x	x
20	Dee Howard	Faculty	x	x	x
21	Angela Stocker	Faculty	x	x	x
22	Lawrence Stringari	Faculty	x	x	x
23	Rosario Car-Casanova	Faculty	x	x	

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1	Gloria Pena-Bench	Office Assistant	x	
2	Sheila Claxton	Office Assistant	x	
3	Roger Hubbard	Unknown		x
4	Rosemary O'Neil	Unknown		x

5 Other than stating that the "district did not provide documentation supporting the  
6 validity of the distribution" of these employees to the claim, the Controller has not  
7 provided a reason each employee was disallowed. Further, if the Controller doesn't  
8 know the position title and job responsibilities of the person being disallowed, there is  
9 no factual basis for the disallowance. The propriety of these disallowances cannot be  
10 determined until the Controller states why these employees are not relevant to the  
11 mandate program.

"Audited" Benefit Rate

13 The Controller calculated a benefit rate to be applied to the salaries to determine  
14 the total allowable salary and employee benefits for each employee. The rates  
15 calculated are 16.69264%, 16.62719%, 17.66762% for fiscal years 1999-00, 2000-01,  
16 and 2001-02, respectively. The Controller has not indicated why it was necessary to  
17 calculate an average benefit rate when the District reported actual benefit costs in its  
18 general ledger, that is, why an average rate is better than actual benefit costs. Further,  
19 since the Controller asserts that its claiming instructions have some validity, it should  
20 be noted that the claiming instructions allow a "default" benefit rate of 21% which can  
21 be added to direct hourly payroll costs to determine a productive hourly rate. This  
22 default rate was used by the Controller for the concurrent audit of the District's

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1 Collective Bargaining program. This raises the question of the need for an "audited"  
2 benefit rate when the District reported actual benefit costs for the employees.

3 "Mathematical Errors"

4 The Controller asserts that the District understated its salary costs in the amount  
5 of \$8,848. While this is a net benefit to the District, the Controller does not disclose the  
6 nature of the errors.

7 Document Retention Period

8 One of the stated reasons for the disallowance was that claimants must retain  
9 source documentation on file "for a period no less than three years from the date of the  
10 final payment of the claim." No legal citation was provided for this assertion. Indeed,  
11 this appears to be a ministerial preference of the Controller's since Government Code  
12 Section 17558.5 specifies a two-year or three-year audit period for these fiscal years,  
13 depending on the date when the claim is filed, without reference to a requirement for  
14 full claim payment.

15 Source Documentation

16 Since no reason related to the mandated activities was stated to explain the  
17 disallowance of these specific employees, it appears that the entire basis of the  
18 Controller's adjustments is the quantity and quality of District documentation. The  
19 Controller cites the parameters and guidelines which states that "all costs claimed must  
20 be traceable to source documents and/or worksheets that show evidence of the validity  
21 of such costs." The audit report states that the District "did not provide documentation

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1 supporting the validity of the distribution made to the mandate.”

2 Contrary to the assertion of the audit report, the District has complied with the  
3 parameters and guidelines by providing source documents that show evidence of the  
4 validity of such costs and their relationship to the state-mandated program. The salary  
5 and benefits were reported in the District general ledger in the normal course of  
6 financial accounting pursuant to state mandated financial accounting procedures.

7 There are no state mandated financial accounting procedures for mandate program  
8 costs because the state has never developed or adopted standards. The Controller  
9 has never told claimants the specific documents which would satisfy the Controller’s  
10 standards. The District has also provided employee names, positions (job titles),  
11 hours worked, salary and benefit amounts, and a description of the tasks performed as  
12 they relate to this mandate, and in some cases declarations. Thus, the District has  
13 provided documentation generated in the usual course of business as well as  
14 generated for the purpose of claiming mandate reimbursement.

15 Unreasonable or Excessive

16 None of the adjustments were made because the costs claimed were excessive  
17 or unreasonable. The Controller does not assert that the claimed costs were  
18 excessive or unreasonable, which is the only mandated cost audit standard in statute  
19 (Government Code Section 17561(d) (2)). It would therefore appear that this finding is  
20 based upon the wrong standard for review. If the Controller wishes to enforce other  
21 audit standards for mandated cost reimbursement, the Controller should comply with

1 the Administrative Procedures Act.

2 **Finding 2 - Unallowable Other Outgoing Expenses**

3 The Controller asserts that the "district overstated other outgoing expense costs  
4 . . ." As a preliminary matter, the Controller should provide the derivation of "outgoing  
5 expense costs" which is not described in generally accepted accounting principles. In  
6 addition, the Controller should explain the difference between "expenses" and "costs" in  
7 the context of mandate reimbursement.

8 The audit report states that the reason for the \$41,375 adjustment for FY 2001-  
9 02 is that journal voucher transactions were not supported by invoices or other source  
10 documents. The District response here is the same as Finding 1, that there is no  
11 documentation standard for which the district was on notice that requires journal  
12 voucher transactions to comply with any documentation standard other than the  
13 financial reporting standards mandated by the state for community colleges.

14 **Finding 3 - Overstated Indirect Costs**

15 The Controller asserts that the district overstated its indirect cost rates \$112,243  
16 for all three fiscal years. This finding is based upon the report's statement that ". . . the  
17 district improperly applied its claimed indirect cost rate to costs beyond those approved  
18 by the U.S. Department of Health and Human Services (DHHS) . . . . . the district  
19 improperly applied the indirect cost rate to direct services and supplies, other operating  
20 expenses, and capital outlay costs . . ." While the Controller accepted the 30% indirect

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1 cost rate approved by the federal agency, it did not accept the application of the rate to  
2 costs other than salary and benefits because the rate was calculated using only salary  
3 and benefit costs.

4 Federal Approval

5 The audit report also states, "(t)he SCO's claiming instructions state that  
6 community college districts using an indirect cost rate proposal (ICRP) prepared in  
7 accordance with OMB Circular A-21 must obtain federal approval of the ICRP."  
8 Contrary to the Controller's ministerial preferences, there is no requirement in law that  
9 the claimant's indirect cost rate must be "federally" approved, and neither the  
10 Commission nor the Controller has ever specified the federal agencies which have the  
11 authority to "approve" indirect cost rates. Further, it should be noted that the Controller  
12 did not determine that the District's rate was excessive or unreasonable, just that it  
13 wasn't federally approved.

14 Regulatory Requirements

15 No particular indirect cost rate calculation is required by law. The parameters  
16 and guidelines state that "Indirect costs *may be claimed* in the manner described by the  
17 Controller in his claiming instructions." The District claimed these indirect costs "in the  
18 manner" described by the Controller. The correct forms were used and the claimed  
19 amounts were entered at the correct locations. Further, "may" is not "shall"; the  
20 parameters and guidelines do not require that indirect costs be claimed in the manner  
21 described by the Controller. However, the Controller asserts that the "phrase 'may be

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1 claimed' is permissive; it allows the district to claim indirect costs. If the district claims  
2 indirect costs, the costs must adhere to the SCO's claiming instructions." The logic is  
3 specious. Claimants have the option of filing the *entire* claim for reimbursement and  
4 there is no logic to isolating the decision to claim indirect costs as singularly  
5 permissive, nor is there is language regarding "adhering" to the claiming instructions if  
6 such costs are claimed. It is not quite clear what the legal significance of "adhering" to  
7 the claiming instructions means, but since the Controller's claiming instructions were  
8 never adopted as law, or regulations pursuant to the Administrative Procedure Act, the  
9 claiming instructions are merely a statement of the ministerial interests of the Controller  
10 and not law.

"Distribution Base"

12 The Controller asserts the District improperly applied the indirect cost rate to  
13 direct services and supplies, other operating expenses, and capital outlay costs.  
14 The District claimed a federally approved indirect cost rate. Since this rate was  
15 calculated using salaries and benefits as the allocation base, the Controller asserts  
16 that the rate cannot be applied to any other indirect costs except for salaries and  
17 benefits, which would be outside the "distribution base." No cost accounting rationale  
18 or legal basis for this peculiar conclusion is provided by the Controller.

19 The Controller cites an E-mail received on May 21, 2004 from DHHS in which a  
20 DHHS Branch Chief is said to have stated that "colleges and universities must adhere  
21 to their rate agreement in claiming reimbursement of indirect cost under federal

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1 awards." The E-mail is not included in the audit report. It is not known whether the E-  
2 mail was solicited by the Controller, to whom it was mailed, so its relevance may be  
3 merely anecdotal, and it may be quoted out of context. Notwithstanding, the DHHS e-  
4 mail appears to have limited itself to federal awards, which mandates are not.  
5 Claimants are subject to whatever state law exists for mandate reimbursement, not  
6 federal award cost accounting.

7 What the Controller does not cite is any law or statute which dictates the  
8 operation of indirect cost rates. There is no source which states that a "distribution  
9 base" has to be identical to the scope of data used to establish the rate. Nor does the  
10 Controller assert that here the costs outside the "distribution base" would not properly  
11 accumulate indirect costs, only that they should not accumulate costs because they are  
12 not salaries and benefit costs. The Controller should be on notice that cost accounting  
13 principles allow indirect cost rates to be established based on a variety of bases:  
14 salaries, units of production, revenues, etc., without regard for the scope of the  
15 distribution base except that the source of the rate has to be representative of the  
16 "distribution base."

17 Unreasonable or Excessive

18 Government Code Section 17561(d)(2) requires the Controller to pay claims,  
19 provided that the Controller may audit the records of any school district to verify the  
20 actual amount of the mandated costs, and may reduce any claim that the Controller  
21 determines is excessive or unreasonable. The Controller is authorized to reduce a

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1 claim only if it determines the claim to be excessive or unreasonable. The parameters  
2 and guidelines *do not require* that indirect costs be claimed in the manner described by  
3 the State Controller. The State Controller's claiming instructions were never adopted  
4 as rules or regulations, and therefore have no force of law. The burden is on the State  
5 Controller to show, either factually or as a matter of law, that the indirect cost rate  
6 method used by the District is excessive or unreasonable, which is the only mandated  
7 cost audit standard in statute. If the State Controller wishes to enforce other audit  
8 standards for mandated cost reimbursement, the State Controller should comply with  
9 the Administrative Procedures Act.

10 **Finding 4 - Understated Authorized Health Fee Revenues Claimed**

11 This finding is based upon the report's statement that the District understated  
12 offsetting health fee revenues by \$70,603, due to an authorized \$1 increase in health  
13 fees that was not charged for the FY 1999-2000 summer semester and for all three  
14 semesters of FY 2001-02. The adjustments are based on the Controller's  
15 recalculation of the student health services fees which may have been "collectible"  
16 which was then compared to the District's student health fee revenues actually  
17 received. The Controller alleges that claimants must compute the total student health  
18 fees collectible and reduce claimed costs by this amount even if those fees are not  
19 collected in full or part.

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1 Education Code Section 76355

2 Education Code Section 76355, subdivision (a), in relevant part, provides: "The  
3 governing board of a district maintaining a community college *may require* community  
4 college students to pay a fee . . . for health supervision and services . . ." There is no  
5 requirement that community colleges levy these fees. The permissive nature of the  
6 provision is further illustrated in subdivision (b) which states "*If, pursuant to this*  
7 *Section, a fee is required, the governing board of the district shall decide the amount of*  
8 *the fee, if any, that a part-time student is required to pay. The governing board may*  
9 *decide whether the fee shall be mandatory or optional.*"

10 Parameters and Guidelines

11 This Controller states that the "*Parameters and Guidelines* states that health  
12 fees authorized by the *Education Code* must be deducted from costs claimed." The  
13 parameters and guidelines do not state this but instead state:

14 "Any offsetting savings that the claimant experiences as a direct result of  
15 this statute must be deducted from the costs claimed. In addition,  
16 reimbursement for this mandate received from any source, e.g., federal, state,  
17 etc., shall be identified and deducted from this claim. This shall include the  
18 amount of [student fees] as authorized by Education Code Section 72246(a)<sup>3</sup>."

19 In order for the district to "experience" these "offsetting savings" the district must  
20 actually have collected these fees. Student fees actually collected must be used to  
21 offset costs, but not student fees that could have been collected and were not. The use

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<sup>3</sup> Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

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1 of the term "any offsetting savings" further illustrates the permissive nature of the fees.

2 Government Code Section 17514

3 The Controller relies upon Government Code Section 17514 for the conclusion  
4 that "[t]o the extent community college districts can charge a fee, they are not required  
5 to incur a cost." Government Code Section 17514, as added by Chapter 1459, Statutes  
6 of 1984, actually states:

7 " 'Costs mandated by the state' means any increased costs which a local  
8 agency or school district is required to incur after July 1, 1980, as a result of any  
9 statute enacted on or after January 1, 1975, or any executive order  
10 implementing any statute enacted on or after January 1, 1975, which mandates  
11 a new program or higher level of service of an existing program within the  
12 meaning of Section 6 of Article XIII B of the California Constitution."

There is nothing in the language of the statute regarding the authority to charge a fee,  
14 any nexus of fee revenue to increased cost, nor any language which describes the  
15 legal effect of fees collected.

16 Government Code Section 17556

17 The Controller relies upon Government Code Section 17556 for the conclusion  
18 that "the COSM shall not find costs mandated by the State if the school district has the  
19 authority to levy fees to pay for the mandated program or increased level of service."

20 Government Code Section 17556 as last amended by Chapter 589/89 actually states:

21 "The commission shall not find costs mandated by the state, as defined in  
22 Section 17514, in any claim submitted by a local agency or school district, if after  
23 a hearing, the commission finds that: . . .

24 (d) The local agency or school district has the authority to levy service  
25 charges, fees, or assessments sufficient to pay for the mandated program or  
26 increased level of service. . . ."

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1 The Controller misrepresents the law. Government Code Section 17556 prohibits the  
2 Commission on State Mandates from finding costs subject to reimbursement, that is,  
3 approving a test claim activity for reimbursement, where there is authority to levy fees  
4 in an amount sufficient to offset the entire mandated costs. Here, the Commission has  
5 already approved the test claim and made a finding of a new program or higher level of  
6 service for which the claimants do not have the ability to levy a fee in an amount  
7 sufficient to offset the entire mandated costs.

8 **Student Health Services Fee Amount**

9 The Controller asserts that the district should have collected a student health  
10 service fee each semester from non-exempt students in the amount of \$8, \$9, or \$12  
11 depending on the fiscal year and whether the student is enrolled full time or part time.  
12 Districts receive notice of these fee amounts from the Chancellor of the California  
13 Community Colleges. An example of one such notice is the letter dated March 5, 2001,  
14 attached as Exhibit "F." While Education Code Section 76355 provides for an increase  
15 in the student health service fee, it did not grant the Chancellor the authority to  
16 establish mandatory fee amounts or mandatory fee increases. No state agency was  
17 granted that authority by the Education Code, and no state agency has exercised its  
18 rulemaking authority to establish mandatory fees amounts. It should be noted that the  
19 Chancellor's letter properly states that increasing the amount of the fee is at the option  
20 of the district, and that the Chancellor is not asserting that authority. Therefore, the  
21 Controller cannot rely upon the Chancellor's notice as a basis to adjust the claim for

Incorrect Reduction Claim of San Mateo County Community College District  
1/84; 1118/87 Health Fee Elimination

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1 "collectible" student health services fees.

2 **Fees Collected vs. Fees Collectible**

3 This issue is one of student health fees revenue actually received, rather than  
4 student health fees which might be collected. The Commission determined, as stated  
5 in the parameters and guidelines, that the student fees "experienced" (*collected*) would  
6 reduce the amount subject to reimbursement. Student fees not collected are student  
7 fees not "experienced" and as such should not reduce reimbursement. Further, the  
8 amount 'collectible' will never equal actual revenues collected due to changes in  
9 student's BOGG eligibility, bad debt accounts, and refunds.

10 Because districts are not required to collect a fee from students for student  
11 health services, and if such a fee is collected, the amount is to be determined by the  
12 District and not the Controller, the Controller's adjustment is without legal basis. What  
13 claimants are required by the parameters and guidelines to do is to reduce the amount  
14 of their claimed costs by the amount of student health services fee revenue actually  
15 received. Therefore, student health fees are merely collectible, they are not  
16 mandatory, and it is inappropriate to reduce claim amounts by revenues not received.

17 **Statute of Limitations for Audit**

18 This issue is not a finding of the Controller. The District asserts that the first two  
19 years of the three claim years audited, fiscal years 1999-00 and 2000-01, were beyond  
20 the statute of limitations for an audit when the Controller issued its audit report on

**Incorrect Reduction Claim of San Mateo County Community College District  
1/84; 1118/87 Health Fee Elimination**

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1 January 7, 2005.

2 **Chronology of Claim Action Dates**

3	January 10, 2001	FY 1999-00 claim filed by the District
4	January 10, 2002	FY 2000-01 claim filed by the District
5	December 31, 2003	FY 1999-00 statute of limitations for audit expires
6	December 31, 2004	FY 2000-01 statute of limitations for audit expires
7	January 7, 2005	Controller's final audit report issued

8           The District's fiscal year 1999-00 claim was mailed to the Controller on January  
9 10, 2001. The District's fiscal year 2000-01 claim was mailed to the Controller on  
10 January 10, 2002. According to Government Code Section 17558.5, these claims  
11 were subject to audit no later than December 31, 2003 and December 31, 2004,  
12 respectively. The audit was not completed by this date. Therefore, the proposed audit  
adjustments for Fiscal Year 1999-00 and 2000-01 are barred by the statute of  
14 limitations set forth in Government Code Section 17558.5.

15 **Statutory History**

16           Prior to January 1, 1994, no statute specifically governed the statute of  
17 limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906,  
18 Section 2, operative January 1, 1994, added Government Code Section 17558.5 to  
19 establish for the first time a specific statute of limitations for audit of mandate  
20 reimbursement claims:

21           “(a) A reimbursement claim for actual costs filed by a local agency or school  
22 district pursuant to this chapter is subject to audit by the Controller no later than  
23 four years after the end of the calendar year in which the reimbursement claim is  
24 filed or last amended. However, if no funds are appropriated for the program for  
25 the fiscal year for which the claim is made, the time for the Controller to initiate

Incorrect Reduction Claim of San Mateo County Community College District  
1/84; 1118/87 Health Fee Elimination

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1 an audit shall commence to run from the date of initial payment of the claim.”

2 Thus, there are two standards. A funded claim is “subject to audit” for four years after  
3 the end of the calendar year in which the claim was filed. An “unfunded” claim must  
4 have its audit “initiated” within four years of first payment.

5 Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and  
6 replaced Section 17558.5, changing only the period of limitations:

7 “(a) A reimbursement claim for actual costs filed by a local agency or school  
8 district pursuant to this chapter is subject to audit by the Controller no later than  
9 two years after the end of the calendar year in which the reimbursement claim is  
10 filed or last amended. However, if no funds are appropriated for the program for  
11 the fiscal year for which the claim is made, the time for the Controller to initiate  
12 an audit shall commence to run from the date of initial payment of the claim.”

The first two fiscal year claims, 1999-00 and 2000-01, were subject to the two-year  
14 statute of limitations established by Chapter 945/95. These two claims were beyond  
15 audit when the audit report was issued. Since funds were appropriated for the program  
16 for all the fiscal years which are the subject of the audit, the alternative measurement  
17 date is not applicable, and the potential factual issue of when the audit is initiated is not  
18 relevant.

19 Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003  
20 amended Section 17558.5 to state:

21 “(a) A reimbursement claim for actual costs filed by a local agency or school  
22 district pursuant to this chapter is subject to the initiation of an audit by the  
23 Controller no later than three years after the ~~end of the calendar year in which~~  
24 the date that the actual reimbursement claim is filed or last amended, whichever  
25 is later. However, if no funds are appropriated or no payment is made to a  
26 claimant for the program for the fiscal year for which the claim is made filed, the

Incorrect Reduction Claim of San Mateo County Community College District  
1/84; 1118/87 Health Fee Elimination

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1 time for the Controller to initiate an audit shall commence to run from the date of  
2 initial payment of the claim.”

3 The third fiscal year claim, FY 2001-02, is subject to this amended version of  
4 Section 17558.5, and was still subject to audit at the time the audit report was released.

5 The amendment is pertinent since it indicates this is the first time that the factual issue  
6 of the date the audit is “initiated” for mandate programs for which funds are  
7 appropriated is introduced. Therefore, at the time the claim is filed, it is impossible for  
8 the claimant to know when the statute of limitations will expire, which is contrary to the  
9 purpose of a statute of limitations.

10 Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended  
Section 17558.5 to state:

12 “(a) A reimbursement claim for actual costs filed by a local agency or school  
13 district pursuant to this chapter is subject to the initiation of an audit by the  
14 Controller no later than three years after the date that the actual reimbursement  
15 claim is filed or last amended, whichever is later. However, if no funds are  
16 appropriated or no payment is made to a claimant for the program for the fiscal  
17 year for which the claim is filed, the time for the Controller to initiate an audit  
18 shall commence to run from the date of initial payment of the claim. In any case,  
19 an audit shall be completed not later than two years after the date that the audit  
20 is commenced.”

21 None of the fiscal period claims which are the subject of the audit are subject to  
22 this amended version of Section 17558.5. The amendment is pertinent since it  
23 indicates this is the first time that the Controller audits may be completed at a time  
24 other than the stated period of limitations.

25 Clearly, the Controller did not complete the audit within the statutory period

1 allowed for the first two fiscal year claims included in this audit. The audit findings are  
2 therefore void for those two claims.

3 **PART VIII. RELIEF REQUESTED**

4 The District filed its annual reimbursement claims within the time limits  
5 prescribed by the Government Code. The amounts claimed by the District for  
6 reimbursement of the costs of implementing the program imposed by Chapter 1,  
7 Statutes of 1984, 2nd E.S., Chapter 1118, Statutes of 1987, and Education Code  
8 Section 76355 represent the actual costs incurred by the District to carry out this  
9 program. These costs were properly claimed pursuant to the Commission's parameters  
10 and guidelines. Reimbursement of these costs is required under Article XIII B, Section  
11 6 of the California Constitution. The Controller denied reimbursement without any  
12 basis in law or fact. The District has met its burden of going forward on this claim by  
13 complying with the requirements of Section 1185, Title 2, California Code of  
14 Regulations. Because the Controller has enforced and is seeking to enforce these  
15 adjustments without benefit of statute or regulation, the burden of proof is now upon the  
16 Controller to establish a legal basis for its actions.

17 The District requests that the Commission make findings of fact and law on each  
18 and every adjustment made by the Controller and each and every procedural and  
19 jurisdictional issue raised in this claim, and order the Controller to correct its audit  
20 report findings therefrom.

**Incorrect Reduction Claim of San Mateo County Community College District  
1/84; 1118/87 Health Fee Elimination**

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**PART IX. CERTIFICATION**

By my signature below, I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief, and that the attached documents are true and correct copies of documents received from or sent by the state agency which originated the document.

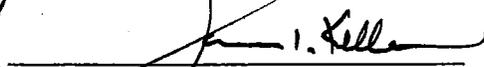
Executed on August 25, at San Mateo, California, by



Jim Keller, Executive Vice-Chancellor  
San Mateo County Community College District  
4301 CSM Drive  
San Mateo, CA 94402  
Voice: 650-358-6869  
Fax: 650-574-6574  
E-Mail: kellerj@smccd.net

**APPOINTMENT OF REPRESENTATIVE**

San Mateo County Community College District appoints Keith B. Petersen, SixTen and Associates, as its representative for this incorrect reduction claim.



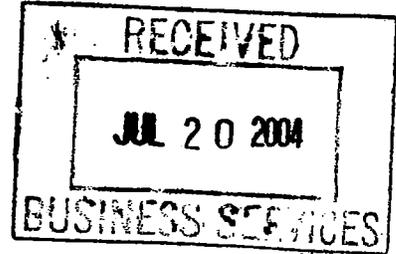
Jim Keller, Executive Vice-Chancellor  
San Mateo County Community College District

8/25/05  
Date

**Attachments:**

Exhibit "A"	Controller's Legal Counsel Letter dated July 15, 2004
Exhibit "B"	Parameters and Guidelines as amended May 25, 1989
Exhibit "C"	Controller's Claiming Instructions September 1997
Exhibit "D"	SCO Audit Report dated January 7, 2005
Exhibit "E"	Claimant's Letter dated November 15, 2004
Exhibit "F"	Chancellor's Letter dated March 5, 2001

**Exhibit A**



STEVE WESTLY  
California State Controller

July 15, 2004

Mike Brandy, Vice Chancellor  
Foothill-De Anza Community College District  
12345 El Monte Road  
Los Altos, CA 94022

Re: Foothill-De Anza Community College District Audit

Dear Mr. Brandy:

This is in response to your letter to me dated May 13, 2004, concerning the Controller's Audit of the Health Fee claim.

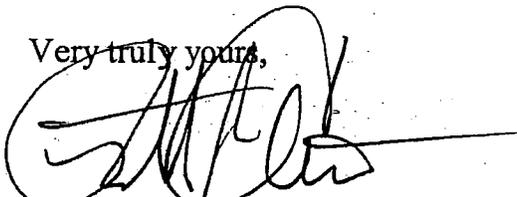
The Controller's informal audit review process was established to resolve factual disputes where no other forum for resolution, other than a judicial proceeding, is available.

The proper forum for resolving issues involving mandated cost programs is through the incorrect reduction process through the Commission on State Mandates. As such, this office will not be scheduling an informal conference for this matter.

However, in light of the concerns expressed in your letter concerning the auditors assigned and the validity of the findings, I am forwarding your letter to Vince Brown, Chief Operating Officer, for his review and response.

If you have any questions you may contact Mr. Vince Brown at (916) 445-2038.

Very truly yours,



RICHARD J. CHIVARO  
Chief Counsel

RJC/st

cc: Vincent P. Brown, Chief Operating Officer, State Controller's Office  
Jeff Brownfield, Chief, Division of Audits, State Controller's Office

**Exhibit B**

Adopted: 8/27/87  
Amended: 5/25/89

PARAMETERS AND GUIDELINES  
Chapter 1, Statutes of 1984, 2nd E.S.  
Chapter 1118, Statutes of 1987  
Health Fee Elimination

I. SUMMARY OF MANDATE

Chapter 1, Statutes of 1984, 2nd E.S. repealed Education Code Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during the 1983-84 fiscal year had to be maintained at that level in the 1984-85 fiscal year and every year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community colleges districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 to require any community college district that provided health services in 1986-87 to maintain health services at the level provided during the 1986-87 fiscal year in 1987-88 and each fiscal year thereafter.

II. COMMISSION ON STATE MANDATES' DECISION

At its hearing on November 20, 1986, the Commission on State Mandates determined that Chapter 1, Statutes of 1984, 2nd E.S. imposed a "new program" upon community college districts by requiring any community college district which provided health services for which it was authorized to charge a fee pursuant to former Section 72246 in the 1983-84 fiscal year to maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter. This maintenance of effort requirement applies to all community college districts which levied a health services fee in the 1983-84 fiscal year, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the 1983-84 fiscal year level.

At its hearing of 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 which provided health services in fiscal year 1986-87 and required them to maintain that level in fiscal year 1987-88 and each fiscal year thereafter.

III. ELIGIBLE CLAIMANTS

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 are eligible to claim reimbursement of those costs.

#### IV. PERIOD OF REIMBURSEMENT

Chapter 1, Statutes of 1984, 2nd E.S., became effective July 1, 1984. Section 17557 of the Government Code states that a test claim must be submitted on or before November 30th following a given fiscal year to establish for that fiscal year. The test claim for this mandate was filed on November 27, 1985; therefore, costs incurred on or after July 1, 1984, are reimbursable. Chapter 1118, Statutes of 1987, became effective January 1, 1988. Title 2, California Code of Regulations, section 1185.3(a) states that a parameters and guidelines amendment filed before the deadline for initial claims as specified in the Claiming Instructions shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines; therefore, costs incurred on or after January 1, 1988, for Chapter 1118, Statutes of 1987, are reimbursable.

Actual costs for one fiscal year should be included in each claim. Estimated costs for the subsequent year may be included on the same claim if applicable. Pursuant to Section 17561(d)(3) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days of notification by the State Controller of the enactment of the claims bill.

If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise allowed by Government Code Section 17564.

#### V. REIMBURSABLE COSTS

##### A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program. Only services provided in 1986-87 fiscal year may be claimed.

##### B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year 1986-87:

##### ACCIDENT REPORTS

##### APPOINTMENTS

- College Physician - Surgeon
- Dermatology, Family Practice, Internal Medicine
- Outside Physician
- Dental Services
- Outside Labs (X-ray, etc.)
- Psychologist, full services
- Cancel/Change Appointments
- R.N.
- Check Appointments

ASSESSMENT, INTERVENTION & COUNSELING

- Birth Control
- Lab Reports
- Nutrition
- Test Results (office)
- VD
- Other Medical Problems
- CD
- URI
- ENT
- Eye/Vision
- Derm./Allergy
- Gyn/Pregnancy Services
- Neuro
- Ortho
- GU
- Dental
- GI
- Stress Counseling
- Crisis Intervention
- Child Abuse Reporting and Counseling
- Substance Abuse Identification and Counseling
- Aids
- Eating Disorders
- Weight Control
- Personal Hygiene
- Burnout

EXAMINATIONS (Minor Illnesses)  
Recheck Minor Injury

HEALTH TALKS OR FAIRS - INFORMATION

- Sexually Transmitted Disease
- Drugs
- Aids
- Child Abuse
- Birth Control/Family Planning
- Stop Smoking
- Etc.
- Library - videos and cassettes

FIRST AID (Major Emergencies)

FIRST AID (Minor Emergencies)

FIRST AID KITS (Filled)

IMMUNIZATIONS

- Diphtheria/Tetanus
- Measles/Rubella
- Influenza
- Information

INSURANCE

On Campus Accident  
Voluntary  
Insurance Inquiry/Claim Administration

LABORATORY TESTS DONE

Inquiry/Interpretation  
Pap Smears

PHYSICALS

Employees  
Students  
Athletes

MEDICATIONS (dispensed OTC for misc. illnesses)

Antacids  
Antidiarrhial  
Antihistamines  
Aspirin, Tylenol, etc.  
Skin rash preparations  
Misc.  
Eye drops  
Ear drops  
Toothache - Oil cloves  
Stingkill  
Midol - Menstrual Cramps

PARKING CARDS/ELEVATOR KEYS

Tokens  
Return card/key  
Parking inquiry  
Elevator passes  
~~Temporary handicapped parking permits~~

REFERRALS TO OUTSIDE AGENCIES

Private Medical Doctor  
Health Department  
Clinic  
Dental  
Counseling Centers  
Crisis Centers  
Transitional Living Facilities (Battered/Homeless Women)  
Family Planning Facilities  
Other Health Agencies

TESTS

Blood Pressure  
Hearing  
Tuberculosis  
    Reading  
    Information  
Vision  
Glucometer  
Urinalysis

Hemoglobin  
E.K.G.  
Strep A testing  
P.G. testing  
Monospot  
Hemacult  
Misc.

MISCELLANEOUS

Absence Excuses/PE Waiver  
Allergy Injections  
Band-aids  
Booklets/Pamphlets  
Dressing Change  
Rest  
Suture Removal  
Temperature  
Weigh  
Misc.  
Information  
Report/Form  
Wart Removal

COMMITTEES

Safety  
Environmental  
Disaster Planning

SAFETY DATA SHEETS  
Central file

X-RAY SERVICES

COMMUNICABLE DISEASE CONTROL

BODY FAT MEASUREMENTS

MINOR SURGERIES

SELF-ESTEEM GROUPS

MENTAL HEALTH CRISIS

AA GROUP

ADULT CHILDREN OF ALCOHOLICS GROUP

WORKSHOPS

Test Anxiety  
Stress Management  
Communication Skills  
Weight Loss  
Assertiveness Skills

## VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a list of each item for which reimbursement is claimed under this mandate.

### A. Description of Activity

1. Show the total number of full-time students enrolled per semester/quarter.
2. Show the total number of full-time students enrolled in the summer program.
3. Show the total number of part-time students enrolled per semester/quarter.
4. Show the total number of part-time students enrolled in the summer program.

### B. Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service

Claimed costs should be supported by the following information:

#### 1. Employee Salaries and Benefits

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, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

#### 2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

#### 3. Allowable Overhead Cost

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

## VII. SUPPORTING DATA

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 for a period of no

less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

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. This shall include the amount of \$7.50 per full-time student per semester, \$5.00 per full-time student for summer school, or \$5.00 per full-time student per quarter, as authorized by Education Code section 72246(a). This shall also include payments (fees) received from individuals other than students who are not covered by Education Code Section 72246 for health services.

IX. REQUIRED CERTIFICATION

The following certification must accompany the claim:

I DO HEREBY CERTIFY under penalty of perjury:

THAT the foregoing is true and correct:

THAT Section 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with;

and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone No.

**Exhibit C**

## HEALTH FEE ELIMINATION

### 1. Summary of Chapters 1/84, 2nd E.S., and Chapter 1118/87

Chapter 1, Statutes of 1984, 2nd E.S., repealed Education Code § 72246 which authorized community college districts to charge a fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required community college districts that charged a fee in the 1983/84 fiscal year to maintain that level of health services in the 1984/85 fiscal year and each fiscal year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community college districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987 amended Education Code § 72246 to require any community college district that provided health services in the 1986/87 fiscal year to maintain health services at that level in the 1986/87 fiscal year and each fiscal year thereafter. Chapter 8, Statutes of 1993, has revised the numbering of § 72246 to § 76355.

### 2. Eligible Claimants

Any community college district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

### 3. Appropriations

To determine if current funding is available for this program, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to community college presidents.

### 4. Types of Claims

#### A. Reimbursement and Estimated Claims

A claimant may file a reimbursement claim and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

#### B. Minimum Claim

Section 17564(a), Government Code, provides that no claim shall be filed pursuant to Section 17561 unless such a claim exceeds \$200 per program per fiscal year.

### 5. Filing Deadline

- (1) Refer to Item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30, of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30, of the following fiscal year regardless whether the payment was more or less than the actual costs. If the local agency fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the local agency may file a reimbursement

claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

## **6. Reimbursable Components**

Eligible claimants will be reimbursed for health service costs at the level of service provided in the 1986/87 fiscal year. The reimbursement will be reduced by the amount of student health fees authorized per the Education Code § 76355.

After January 1, 1993, pursuant to Chapter 8, Statutes of 1993, the fees students were required to pay for health supervision and services were not more than:

\$10.00 per semester

\$5.00 for summer school

\$5.00 for each quarter

Beginning with the summer of 1997, the fees are:

\$11.00 per semester

\$8.00 for summer school or

\$8.00 for each quarter

The district may increase fees by the same percentage increase as the Implicit Price Deflator (IPD) for the state and local government purchase of goods and services. Whenever the IPD calculates an increase of one dollar (\$1) above the existing amount, the fees may be increased by one dollar (\$1).

## **7. Reimbursement Limitations**

- A. If the level at which health services were provided during the fiscal year of reimbursement is less than the level of health services that were provided in the 1986/87 fiscal year, no reimbursement is forthcoming.
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate, shall be identified and deducted so only net local costs are claimed.

## **8. Claiming Forms and Instructions**

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HFE-1.0, HFE-1.1, and form HFE-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

**A. Form HFE-2, Health Services**

This form is used to list the health services the community college provided during the 1986/87 fiscal year and the fiscal year of the reimbursement claim.

**B. Form HFE-1.1, Claim Summary**

This form is used to compute the allowable increased costs an individual college of the community college district has incurred to comply with the state mandate. The level of health services reported on this form must be supported by official financial records of the community college district. A copy of the document must be submitted with the claim. The amount shown on line (13) of this form is carried to form HFE-1.0.

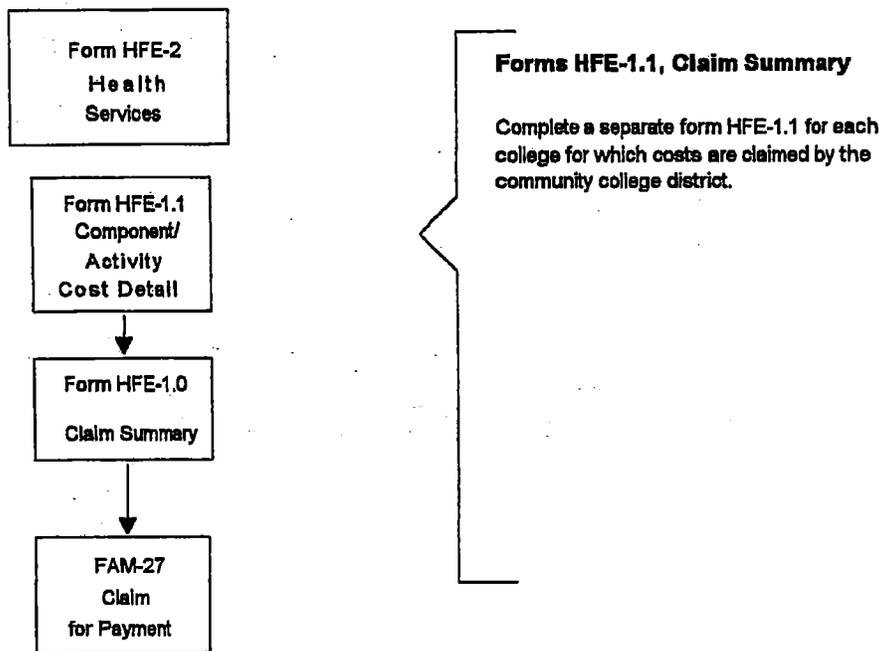
**C. Form HFE-1.0, Claim Summary**

This form is used to list the individual colleges that had increased costs due to the state mandate and to compute a total claimable cost for the district. The "Total Amount Claimed", line (04) on this form is carried forward to form FAM-27, line 13, for the reimbursement claim, or line (07) for the estimated claim.

**D. Form FAM-27, Claim for Payment**

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HFE-1.0 and HFE 1.1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

**Illustration of Claim Forms**



**Exhibit D**

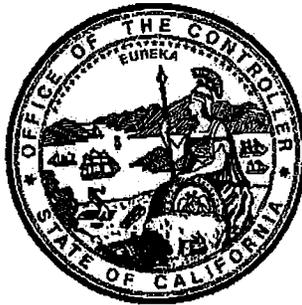
**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

Audit Report

**HEALTH FEE ELIMINATION PROGRAM**

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session,  
and Chapter 1118, Statutes of 1987

*July 1, 1999, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

January 2005



**STEVE WESTLY**  
California State Controller

January 7, 2005

Mr. Ron Galatolo  
Chancellor-Superintendent  
San Mateo County Community College District  
3401 CSM Drive  
San Mateo, CA 94402-3699

Dear Mr. Galatolo:

The State Controller's Office audited the claims filed by the San Mateo County Community College District for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$1,259,226 for the mandated program. Our audit disclosed that \$241,840 is allowable and \$1,017,386 is unallowable. The unallowable costs occurred because the district claimed unsupported costs for salaries and benefits, and services and supplies, and understated offsetting revenues. The district was paid \$562,846. The amount paid in excess of allowable costs claimed totals \$321,006.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

A handwritten signature in cursive script that reads "Vincent P. Brown".

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/ams

cc: Ed Monroe, Program Assistant  
Fiscal Accountability Section  
Chancellor's Office  
California Community Colleges  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit, Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the San Mateo County Community College District for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session (E.S.), and Chapter 1118, Statutes of 1987) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was October 1, 2004.

The district claimed \$1,259,226 for the mandated program. Our audit disclosed that \$241,840 is allowable and \$1,017,386 is unallowable. The unallowable costs occurred because the district claimed unsupported costs for salaries and benefits, and services and supplies, and understated offsetting revenues. The district was paid \$562,846. The amount paid in excess of allowable costs claimed totals \$321,006.

## Background

*Education Code* Section 72246, (repealed by Chapter 1, Statutes of 1984, 2<sup>nd</sup> E.S.) authorized community college districts to charge a health fee for providing health supervision and services, direct and indirect medical and hospitalization services, and operation of 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 fee as specified.

*Education Code* Section 72246 (amended by Chapter 1118, Statutes of 1987) requires any community college district that provided health services in FY 1986-97 to maintain health services at the level provided during that year in FY 1987-88 and each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (COSM) determined that Chapter 1, Statutes of 1984, 2<sup>nd</sup> E.S., imposed a "new program" upon community college districts by requiring any community college district that provided health services for which it was authorized to charge a fee pursuant to former *Education Code* Section 72246 in FY 1983-84 to maintain health services at the level provided during that year in FY 1984-85 and each fiscal year thereafter. This maintenance-of-effort (MOE) requirement applies to all community college districts that levied a health services fee in FY 1983-84, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the FY 1983-84 level.

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

*Parameters and Guidelines* establishes the state mandate and defines criteria for reimbursement. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and amended it on May 25, 1989. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement in assisting school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> E.S., and Chapter 1118, Statutes of 1987) for the period of July 1, 1999, through June 30, 2002.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority provided by *Government Code* Sections 17558.5 and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

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.

## Conclusion

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

For the audit period, San Mateo County Community College District claimed \$1,259,226 for costs of the legislatively mandated Health Fee Elimination Program. Our audit disclosed that \$241,840 is allowable and \$1,017,386 is unallowable.

For FY 1999-2000, the district was paid \$357,148 by the State. Our audit disclosed that \$31,949 is allowable. The district should return \$325,199 to the State.

For FY 2000-01, the district was paid \$111,475 by the State. Our audit disclosed that \$81,694 is allowable. The district should return \$29,781 to the State.

For FY 2001-02, the district was paid \$94,223 by the State. Our audit disclosed that \$128,197 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$33,974, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on October 28, 2004. Jim Keller, Executive Vice-Chancellor, responded by letter dated November 15, 2004 (Attachment), disagreeing with the audit results. The final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of San Mateo County Community College District, the San Mateo County Office of Education, the California Department of Education, 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.



JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<b><u>July 1, 1999, through June 30, 2000</u></b>				
Salaries	\$ 552,729	\$ 367,095	\$ (185,634)	Finding 1
Benefits	92,265	61,278	(30,987)	Finding 1
Services and supplies	24,276	24,276	—	
Other operating expenses	63,624	63,624	—	
Capital outlays	13,491	13,491	—	
Subtotals	746,385	529,764	(216,621)	
Indirect costs	223,916	128,513	(95,403)	Findings 1, 3
Subtotals, health expenditures	970,301	658,277	(312,024)	
Less offsetting savings/reimbursements	613,153	(626,328)	(13,175)	Finding 4
Total costs	<u>\$ 357,148</u>	(31,949)	<u>\$ (325,199)</u>	
Less amount paid by the State		(357,148)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (325,199)</u>		
<b><u>July 1, 2000, through June 30, 2001</u></b>				
Salaries	\$ 550,480	\$ 387,826	\$ (162,654)	Finding 1
Benefits	91,530	64,485	(27,045)	Finding 1
Services and supplies	37,335	37,335	—	
Other operating expenses	60,628	60,628	—	
Capital outlays	11,131	11,131	—	
Subtotals	751,104	561,405	(189,699)	
Indirect costs	225,331	135,693	(89,638)	Findings 1, 3
Subtotals, health expenditures	976,435	697,098	(279,337)	
Less offsetting savings/reimbursements	(615,404)	(615,404)	—	
Total costs	<u>\$ 361,031</u>	(81,694)	<u>\$ (279,337)</u>	
Less amount paid by the State		(111,475)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (29,781)</u>		
<b><u>July 1, 2001, through June 30, 2002</u></b>				
Salaries	\$ 601,571	\$ 428,365	\$ (173,206)	Finding 1
Benefits	106,283	75,682	(30,601)	Finding 1
Services and supplies	42,558	42,558	—	
Other operating expenses	100,573	59,198	(41,375)	Finding 2
Capital outlays	20,530	20,530	—	
Subtotals	871,515	626,333	(245,182)	
Indirect costs	261,454	151,214	(110,240)	Findings 1, 3

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
Subtotals, health expenditures	1,132,969	777,547	(355,422)	
Less offsetting savings/reimbursements	<u>(591,922)</u>	<u>(649,350)</u>	<u>(57,428)</u>	Finding 4
Total costs	<u>\$ 541,047</u>	128,197	<u>\$ (412,850)</u>	
Less amount paid by the State		<u>(94,223)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 33,974</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Salaries	\$ 1,704,780	\$ 1,183,286	\$ (521,494)	Finding 1
Benefits	290,078	201,445	(88,633)	Finding 1
Services and supplies	104,169	104,169	—	
Other operating expenses	224,825	183,450	(41,375)	Finding 2
Capital outlays	<u>45,152</u>	<u>45,152</u>	<u>—</u>	
Subtotals	2,369,004	1,717,502	(651,502)	
Indirect costs	<u>710,701</u>	<u>415,420</u>	<u>(295,281)</u>	Findings 1, 3
Subtotals, health expenditures	3,079,705	2,132,921	(946,784)	
Less offsetting savings/reimbursements	<u>(1,820,479)</u>	<u>(1,891,082)</u>	<u>(70,603)</u>	Finding 4
Total costs	<u>\$ 1,259,226</u>	241,840	<u>\$ (1,017,386)</u>	
Less amount paid by the State		<u>(562,846)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (321,006)</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Unallowable salaries and benefits, and related indirect costs claimed

The district overstated employee salaries and benefits claimed by \$610,127 for the period of July 1, 1999, through June 30, 2002. The related indirect costs, based on the claimed indirect cost rate of 30% for each fiscal year, total \$183,038.

Unallowable costs are summarized as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
<b>Salaries:</b>				
Unsupported costs	\$ (196,353)	\$ (162,057)	\$ (171,932)	\$ (530,342)
Mathematical errors	10,719	(597)	(1,274)	8,848
<b>Total salaries</b>	<b>(185,634)</b>	<b>(162,654)</b>	<b>(173,206)</b>	<b>(521,494)</b>
<b>Benefits</b>	<b>(30,987)</b>	<b>(27,045)</b>	<b>(30,601)</b>	<b>(88,633)</b>
<b>Subtotals</b>	<b>(216,621)</b>	<b>(189,699)</b>	<b>(203,807)</b>	<b>(610,127)</b>
<b>Related indirect costs</b>	<b>(64,986)</b>	<b>(56,910)</b>	<b>(61,142)</b>	<b>(183,038)</b>
<b>Audit adjustment</b>	<b>\$ (281,607)</b>	<b>\$ (246,609)</b>	<b>\$ (264,949)</b>	<b>\$ (793,165)</b>

The district claimed \$530,342 in salaries based on information reported in its employee earnings report that allocated individual payroll costs to various accounts. The district did not provide documentation supporting the validity of the distribution made to the mandate. In addition, the district made mathematical errors when preparing the claim that resulted in understated salary costs of \$8,848. Related benefits and indirect costs total \$88,633 and \$183,038, respectively.

*Parameters and Guidelines* states that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. Documentation must be kept on file for a period of no less than three years from the date of the final payment of the claim.

### Recommendation

We recommend that the district establish and implement procedures to ensure all claimed costs are eligible and are properly supported. Documentation should identify the mandated functions performed and the actual number of hours devoted to each function.

### District's Response

The State Controller asserts that the District overstates employee salaries and benefits because it "did not provide documentation supporting the validity of the distribution made to the mandate." The State Controller does not assert that the claimed costs were excessive or reasonable, which is the only mandated cost audit standard in statute (Government Code Section 17651(d)(2)). It would therefore appear that this finding is based upon the wrong standard for review. If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the

## Administrative Procedures Act.

The issue for the State Controller appears to be the quality or quantity of supporting documentation, rather than the reasonableness of the claimed costs. This finding is based, partially, upon the report's assertion that the "*Parameters and Guidelines* states that all costs claimed must be traceable to source documentation that shows evidence of the validity of such costs." The *Parameters and Guidelines* actually state, in that regard, that "...all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs." It appears as if the audit report is applying some previously unpublished definition to the term "source documents." In fact, the definition applied by the audit report is still undefined and unpublished because nowhere in the report does it state what kind of "source documents" would satisfy its unpublished demands.

Please identify and provide the district with any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines "source documents" and how and when claimants were notified of the specific documentation requirements to support salary and benefit costs.

Government Code section 6253, subdivision (c), requires a government agency, within 10 days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of public records in your possession and to promptly notify the district of that determination and the reasons therefor. Also, as required, when so notifying the district, please state the estimated date and time when the records will be made available.

SCO's Comment

The finding and recommendation, other than an update to the audit criterion, remain unchanged. The district did not address the audit finding's factual accuracy and did not provide any additional source documents or worksheets to refute the finding.

In addition to what the district cited in its response, *Government Code* Section 17561(d)(2) states that the Controller may audit the records of any local agency or school district to verify the actual amount of the mandated costs.

We provided copies of *Parameters and Guidelines* and the SCO's claiming instructions to the district on November 24, 2004. The SCO issues annual claiming instructions for mandated programs in accordance with *Government Code* Section 17558. The SCO's claiming instructions for the audit period include the same guidance for supporting documentation as stated in *Parameters and Guidelines*.

**FINDING 2—  
Unallowable other  
outgoing expenses**

The district overstated other outgoing expense costs by \$41,375 for the period of July 1, 2001, through June 30, 2002.

The district claimed costs based on amounts recorded on three separate journal voucher transactions. However, the district did not provide any documentation supporting the validity of the costs claimed, e.g., in invoices or other source documents.

A breakdown by college of unallowable outgoing expenses for FY 2001-02 is as follows:

<u>Location</u>	<u>Amount Claimed</u>
College of San Mateo	\$ (16,063)
Skyline College	(22,836)
Canada College	<u>(2,476)</u>
Audit adjustment	<u>\$ (41,375)</u>

*Parameters and Guidelines* states that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. Documentation must be kept on file for a period of no less than three years from the date of the final payment of the claim.

**Recommendation**

We recommend the district establish and implement procedures to ensure all claimed costs are properly supported. Costs claimed must be traceable to source documents that show evidence of the validity of such costs.

**District's Response**

The district did not respond to this finding.

**SCO's Comment**

The finding and recommendation, other than an update to the audit criterion, remain unchanged.

**FINDING 3—  
Overstated indirect  
costs**

The district overstated indirect costs by \$112,243 for the period of July 1, 1999, through June 30, 2002.

The overstatement occurred because the district improperly applied its claimed indirect cost rate to costs beyond those approved by the U.S. Department of Health and Human Services (DHHS). The district used an indirect cost rate of 30% based upon Office of Management and Budget (OMB) Circular A-21 that was approved by the DHHS. The approval letter, dated February 4, 1999, stated that the district's indirect cost rate used a base consisting of "Direct Salaries and Wages including all fringe benefits." During the audit period, the district improperly applied the indirect cost rate to direct services and supplies, other operating

expenses, and capital outlay costs as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Services and supplies	\$ (24,276)	\$ (37,335)	\$ (42,558)	
Other operating expenses	(63,624)	(60,628)	(100,573)	
Capital outlays	(13,491)	(11,131)	(20,530)	
Subtotals	(101,391)	(109,094)	(163,661)	
Indirect cost rate	× 30%	× 30%	× 30%	
Audit adjustment	\$ (30,417)	\$ (32,728)	\$ (49,098)	\$ (112,243)

*Parameters and Guidelines* states that indirect costs may be claimed in the manner described in the SCO claiming instructions. The SCO claiming instructions state that community college districts using an indirect cost rate proposal (ICRP) prepared in accordance with OMB Circular A-21 must obtain federal approval of the ICRP.

The SCO's *Mandated Cost Manual* states that indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

The OMB Circular A-21 methodology allows colleges and universities to calculate their indirect cost rate under the simplified method using either salaries and wages or modified total direct costs. The district's indirect cost rate was proposed and negotiated based on salaries and wages including all fringe benefits, not on modified total direct costs. The appropriate rate application base is shown on the rate agreement. The district must adhere to its rate agreement in claiming reimbursement of indirect costs.

#### Recommendation

We recommend that the district implement policies and procedures to ensure the OMB Circular A-21 indirect cost rate is applied only to the costs included in the base of the indirect cost rate calculation.

#### District's Response

The State Controller asserts "during the audit period, the district improperly applied the indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs. . ." The district uses a federally approved indirect cost rate. Since the rate was calculated using salaries and benefits as the allocation base, the State Controller asserts that the rate cannot be applied to any other indirect costs except for salaries and benefits. No cost accounting rationale or legal basis for this peculiar conclusion is provided by the State Controller.

The parameters and guidelines *do not require* that indirect costs be claimed in the manner described by the State Controller. The State Controller's claiming instructions were never adopted as rules or regulations, and therefore have no force of law. The burden is on the State Controller to show, either factually or as a matter of law, that the indirect cost rate method used by the District is excessive or

unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17651(d)(2). If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

SCO's Comment

The finding and recommendation remain unchanged. The district interpreted *Parameters and Guidelines* language incorrectly. The phrase "may be claimed" is permissive; it allows the district to claim indirect costs. If the district claims indirect costs, the costs must adhere to the SCO's claiming instructions.

The district received an Indirect Cost Negotiation Agreement from the U.S. Department of Health and Human Services. The agreement indicates that the district's approved OMB Circular A-21 rate was developed using salaries and wages including all fringe benefits as a distribution base. Section H(2)(e) of OMB Circular A-21 states that institutions must apply the facilities and administrative cost rate to direct salaries and wages for individual agreements to determine the amount of facilities and administrative costs allocable to such agreements.

Mr. Wallace Chan, Branch Chief, U.S. Department of Health and Human Services, stated via e-mail on May 21, 2004, that colleges and universities must adhere to their rate agreement in claiming reimbursement of indirect cost under federal awards. If the district wishes to apply its indirect cost rate to a distribution base other than salaries and wages, the district's approved A-21 rate must be based on modified total direct costs.

In addition to what the district cited in its response, *Government Code* Section 17561(d)(2) states that the Controller may audit the records of any local agency or school district to verify the actual amount of the mandated costs.

**FINDING 4—  
Understated  
authorized health fee  
revenues claimed**

The district understated offsetting health fee revenues by \$70,603 for the period of July 1, 1999, through June 30, 2001, due to an authorized \$1 increase in health fees that was not charged for the FY 1999-2000 summer semester and for all three semesters of FY 2001-02. Health fee revenues were understated as follows:

	<u>Summer</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>
Fiscal year 1999-2000:				
Claimed health fees	\$ 7	\$ —	\$ —	
Authorized health fees	<u>8</u>	<u>—</u>	<u>—</u>	
Subtotals	(1)	—	—	
Number of students subject to fee	<u>× 13,175</u>	<u>× —</u>	<u>× —</u>	
Audit adjustment, FY 1999-2000	<u>\$ (13,175)</u>	<u>\$ —</u>	<u>\$ —</u>	\$ (13,175)

	<u>Summer</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>
Fiscal year 2001-02:				
Claimed health fees	\$ 8	\$ 11	\$ 11	
Authorized health fees	<u>9</u>	<u>12</u>	<u>12</u>	
Subtotals	(1)	(1)	(1)	
Number of students subject to fee	<u>× 13,262</u>	<u>× 21,579</u>	<u>× 22,587</u>	
Audit adjustment, FY 2001-02	<u>\$ (13,262)</u>	<u>\$ (21,579)</u>	<u>\$ (22,587)</u>	<u>(57,428)</u>
Total audit adjustment				<u>\$ (70,603)</u>

*Parameters and Guidelines* states that health fees authorized by the *Education Code* must be deducted from costs claimed.

In addition, *Government Code* 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, *Government Code* Section 17556 states that the Commission on State Mandates 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.

#### Recommendation

We recommend that the district ensure that it offsets allowable health services program costs by the amount of health service fee revenues authorized by the *Education Code*.

#### District's Response

The State Controller alleges that claimants must compute the total student health fees collectible based on the highest "authorized" rate. The State Controller does not provide the factual basis for the calculation of the "authorized" rate, nor provide any reference to the "authorizing" source, nor the legal right of any state entity to "authorize student health services rates absent rulemaking or compliance with the Administrative Procedures Act by the "authorizing" state agency.

Education Code Section 76355, subdivision (a), states that "The governing board of a district maintaining a community college may require community college students to pay a fee... for health supervision and services..." There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "If pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional." (Emphasis supplied in both instances)

The State Controller asserts that the parameters and guidelines require "that health fees authorized by the *Education Code* must be deducted

from the costs claimed." This is a misstatement of the Parameters and Guidelines. The Parameters and Guidelines, as last amended on May 25, 1989, state that "Any offsetting savings . . . must be deducted from the costs claimed. . . This shall include the amount of (student fees) as authorized by Education Code Section 72246(a)<sup>1</sup>." Therefore, while student fees actually collected are properly used to offset costs, student fees that could have been collected, but were not, are not an offset.

The State Controller also misconstrues the legal meaning of Government Code Section 17556, which prohibits the Commission on State Mandates from approving test claims when the local government agency has authority to charge a fee sufficient to fund the cost of the mandate. The Commission determined that the mandate was a new program or increased level of service. Even the source of the mandate, Education Code Section 76355, at subdivision (e), allows for the possibility that the "cost to maintain that level of service" will exceed the statutory limit for the student health fees.

Finally, the State Controller asserts that "to the extent that community college districts can charge a fee, they are not required to incur a cost." Revenues and costs are separate and unique accounting concepts, as the State Controller should know. Not charging a fee, that is, not collecting a revenue or income, has no effect on expenses. The fees actually collected appropriately reduces the amounts claimed for reimbursement, but do not change the actual cost of the program.

#### SCO's Comment

The finding and recommendation remain unchanged. We agree that community college districts may choose not to levy a health services fee. However, *Parameters and Guidelines* requires that the district deduct authorized health fees from claimed costs. *Education Code* Section 76355(c) authorizes health fees for all students except those students who: (1) depend exclusively on prayer for healing; (2) attend a community college under an approved apprenticeship training program; or (3) demonstrate financial need. (*Education Code* Section 76355(a) increased authorized health fees by \$1 effective with the Summer 2001 session.) Therefore, the related health services costs are not mandated costs as defined by *Government Code* Section 17514. Health services costs recoverable through an authorized fee are not costs the district is required to incur. *Government Code* Section 17556 states that the COSM shall not find costs mandated by the State as defined in *Government Code* Section 17514 if the district has authority to levy fees to pay for the mandated program or increased level of service.

<sup>1</sup> Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

**OTHER ISSUES**

The district requested that the audit report be changed to comply with the appropriate application of the *Government Code* concerning audits of mandate claims.

The district also noted that the name of the district is San Mateo County Community College District.

SCO's Comment

The methodology section of this report has been updated to reference *Government Code* Section 17561, which states that the Controller may audit the records of any local agency or school district to verify the actual amount of the mandated costs.

This report now correctly identifies the name of the district.

**Attachment—  
District's Response to  
Draft Audit Report**

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Cañada College, Redwood City  
College of San Mateo, San Mateo  
Skyline College, San Bruno

**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

Associate Chancellor

November 15, 2004

CERTIFIED MAIL: 7000 1670 0002 2598 7604

Mr. Jim L. Spano, Chief  
Compliance Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 1, Statutes of 1984  
Health Fee Elimination  
State Controller's Audit  
Fiscal Years: 2001-02 and 2002-03

Dear Mr. Spano:

This letter is the response of the San Mateo County Community College District to the letter from Vincent P. Brown, Chief Operating Officer, State Controller's Office, dated October 28, 2004, and received by the District on November 5, 2004, which enclosed a draft copy of your audit report of the District's Health Fee Elimination claims for the period of July 1, 1999 through June 30, 2002. Please note for future use that name of this district is San Mateo *County* Community College District.

**Finding 1 - Unallowable Salaries and Benefits and Related Indirect Costs**

The State Controller asserts that the District overstates employee salaries and benefits because it "did not provide documentation supporting the validity of the distribution made to the mandate." The State Controller does not assert that the claimed costs were excessive or reasonable, which is the only mandated cost audit standard in statute (Government Code Section 17651(d) (2)). It would therefore appear that this finding is based upon the wrong standard for review. If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

The issue for the State Controller appears to be the quality or quantity of supporting

documentation, rather than the reasonableness of the claimed costs. This finding is based, partially, upon the report's assertion that the "*Parameters and Guidelines* states that all costs claimed must be traceable to source documentation that shows evidence of the validity of such costs." The *Parameters and Guidelines* actually state, in that regard, that "...all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs." It appears as if the audit report is applying some previously unpublished definition to the term "source documents." In fact, the definition applied by the audit report is still undefined and unpublished because nowhere in the report does it state what kind of "source documents" would satisfy its unpublished demands.

Please identify and provide the district with any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period which defines "source documents" and how and when claimants were notified of the specific documentation requirements to support salary and benefit costs.

Government Code section 6253, subdivision (c), requires a government agency, within 10 days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of public records in your possession and to promptly notify the district of that determination and the reasons therefor. Also, as required, when so notifying the district, please state the estimated date and time when the records will be made available.

### **Finding 3 - Overstated Indirect Costs**

The State Controller asserts "during the audit period, the district improperly applied the indirect cost rate to direct services and supplies, other operating expenses, and capital outlay costs..." The district uses a federally approved indirect cost rate. Since the rate was calculated using salaries and benefits as the allocation base, the State Controller asserts that the rate cannot be applied to any other indirect costs except for salaries and benefits. No cost accounting rationale or legal basis for this peculiar conclusion is provided by the State Controller.

The parameters and guidelines *do not require* that indirect costs be claimed in the manner described by the State Controller. The State Controller's claiming instructions were never adopted as rules or regulations, and therefore have no force of law. The burden is on the State Controller to show, either factually or as a matter of law, that the indirect cost rate method used by the District is excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17651(d) (2)). If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

**Finding 4 - Understated Authorized Health Fee Revenues Claimed**

The State Controller alleges that claimants must compute the total student health fees collectible based on the highest "authorized" rate. The State Controller does not provide the factual basis for the calculation of the "authorized" rate, nor provide any reference to the "authorizing" source, nor the legal right of any state entity to "authorize" student health services rates absent rulemaking or compliance with the Administrative Procedures Act by the "authorizing" state agency.

Education Code Section 76355, subdivision (a), states that "The governing board of a district maintaining a community college may require community college students to pay a fee . . . for health supervision and services . . ." There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "If, pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional." (Emphasis supplied in both instances)

The State Controller asserts that the parameters and guidelines require "that health fees authorized by the Education Code must be deducted from the costs claimed." This is a misstatement of the Parameters and Guidelines. The Parameters and Guidelines, as last amended on May 25, 1989, state that "Any offsetting savings . . . must be deducted from the costs claimed . . . This shall include the amount of (student fees) as authorized by Education Code Section 72246(a)<sup>1</sup>." Therefore, while student fees actually collected are properly used to offset costs, student fees that could have been collected, but were not, are not an offset.

The State Controller also misconstrues the legal meaning of Government Code Section 17556, which prohibits the Commission on State Mandates from approving test claims when the local government agency has authority to charge a fee sufficient to fund the cost of the mandate. The Commission determined that the mandate was a new program or increased level of service. Even the source of the mandate, Education Code Section 76355, at subdivision (e), allows for the possibility that the "cost to maintain that level of service" will exceed the statutory limit for the student health fees.

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<sup>1</sup> Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

Finally, the State Controller asserts that "to the extent that community college districts can charge a fee, they are not required to incur a cost." Revenues and costs are separate and unique accounting concepts, as the State Controller should know. Not charging a fee, that is, not collecting a revenue or income, has no effect on expenses. The fees actually collected appropriately reduces the amounts claimed for reimbursement, but do not change the actual cost of the program.

○ ○ ○

The District requests that the audit report be changed to comply with the appropriate application of the Government Code concerning audits of mandate claims.

Sincerely,



Jim Keller, Executive Vice Chancellor  
San Mateo County Community College District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

**Exhibit E**



**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

*Associate Chancellor*

*Cañada College, Redwood City  
College of San Mateo, San Mateo  
Skyline College, San Bruno*

November 15, 2004

CERTIFIED MAIL: 7000 1670 0002 2598 7604

Mr. Jim L. Spano, Chief  
Compliance Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 1, Statutes of 1984  
Health Fee Elimination  
State Controller's Audit  
Fiscal Years: 2001-02 and 2002-03

Dear Mr. Spano:

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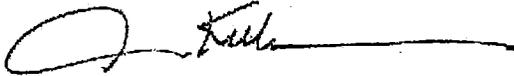
<sup>1</sup> Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

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○ ○ ○

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Sincerely,



Jim Keller, Executive Vice Chancellor  
San Mateo County Community College District

**Exhibit F**

**CALIFORNIA COMMUNITY COLLEGES  
CHANCELLOR'S OFFICE**

1102 Q STREET  
SACRAMENTO, CA 95814-6511  
6) 445-8752  
HTTP://WWW.CCOCO.EDU



March 5, 2001

To: Superintendents/Presidents  
Chief Business Officers  
Chief Student Services Officers  
Health Services Program Directors  
Financial Aid Officers  
Admissions and Records Officers  
Extended Opportunity Program Directors

From: Thomas J. Nussbaum  
Chancellor

Subject: Student Health Fee Increase

Education Code Section 76355 provides the governing board of a community college district the option of increasing the student health services fee by the same percentage as the increase in the Implicit Price Deflator for State and Local Government Purchase of Goods and Services. Whenever that calculation produces an increase of one dollar above the existing fee, the fee may be increased by \$1.00.

Based on calculations by the Financial, Economic, and Demographic Unit in the Department of Finance, the Implicit Price Deflator Index has now increased enough since the last fee increase of March 1997 to support a one dollar increase in the student health fees. Effective with the Summer Session of 2001, districts may begin charging a maximum fee of \$12.00 per semester, \$9.00 for summer session, \$9.00 for each intersession of at least four weeks, or \$9.00 for each quarter.

For part-time students, the governing board shall decide the amount of the fee, if any, that the student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.

The governing board operating a health services program must have rules that exempt the following students from any health services fee:

- Students who depend exclusively upon prayer for healing in accordance with the teachings of a bona fide religious sect, denomination, or organization.

- Students who are attending a community college under an approved apprenticeship training program.
- Students who receive Board of Governors Enrollment Fee Waivers, including students who demonstrate financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid and students who demonstrate eligibility according to income standards established by the board of governors and contained in Section 58620 of Title 5 of the California Code of Regulations.

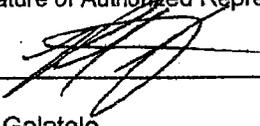
All fees collected pursuant to this section shall be deposited in the Student Health Fee Account in the Restricted General Fund of the district. These fees shall be expended only to provide health services as specified in regulations adopted by the board of governors. Allowable expenditures include health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, or both. Allowable expenditures exclude athletic-related salaries, services, insurance, insurance deductibles, or any other expense that is not available to all students. No student shall be denied a service supported by student health fee on account of participation in athletic programs.

If you have any questions about this memo or about student health services, please contact Mary Gill, Dean, Enrollment Management Unit at 916.323.5951. If you have any questions about the fee increase or the underlying calculations, please contact Patrick Ryan in Fiscal Services Unit at 916.327.6223.

CC: Patrick J. Lenz  
Ralph Black  
Judith R. James  
Frederick E. Harris

I:\Fisc\FiscUnit\01StudentHealthFees\01StuHealthFees.doc

**Exhibit G**

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 HEALTH FEE ELIMINATION		For State Controller Use Only	
		(19) Program Number 00029	
		(20) Date File _____/_____/_____	
		(21) LRS Input _____/_____/_____	
(01) Claimant Identification Number <b>S41100</b>		<b>Reimbursement Claim Data</b>	
(02) Mailing Address		(22) HFE-1.0,(04)(b)	357,148
Claimant Name <b>San Mateo Co. Comm Col. Dist</b>			
County of Location <b>San Mateo County</b>		(24)	
Street Address or P.O.Box <b>3401 CSM Drive</b>		(25)	
City <b>San Mateo</b>	State <b>CA</b>	Zip Code <b>94402</b>	(26)
Type of Claim	Estimated Claim		Reimbursement Claim
	(3) Estimated <input checked="" type="checkbox"/>	(9) Reimbursement <input checked="" type="checkbox"/>	(27)
	(4) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)
	(5) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)
			(30)
Fiscal Year of Cost	(6) <b>2000 / 2001</b>	(12) <b>1999 / 2000</b>	(31)
Total Claimed Amount	(7) <b>386,258</b>	(13) <b>357,148</b>	(32)
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(33)
Less: Estimated Claim Payment Received		(15) <b>311,496</b>	(34)
Actual Claimed Amount		(16)	(35)
Due from State	(8) <b>386,258</b>	(17) <b>45,652</b>	(36)
Due to State		(18)	(37)
<b>(38) CERTIFICATION OF CLAIM</b>			
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, Inclusive.</p> <p>I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987.</p> <p>The amounts for Estimated Claim and / or Reimbursement Claim are hereby claimed from the State for payment of estimated and / or actual costs for the mandated program of Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987, set forth on the attached statements.</p>			
Signature of Authorized Representative		Date	
		<u>1/10/01</u>	
Ron Galatolo		Associate Chancellor	
Type or Print Name		Title	
Name of Contact Person for Claim		Telephone Number	
Raymond Chow		chow@smccd.net	
		650-358-6742 EXT.	

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>1999 / 2000</b>
<b>(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College		(b) Claimed Amount
1. College of San Mateo		187,175
2. Canada College		127,999
3. Skyline College		41,974
<b>(04) Total Amount Claimed</b>	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	<b>357,148</b>

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>
<b>(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College	(b) Claimed Amount	
1. College of San Mateo	200,796	
2. Canada College	135,959	
3. Skyline College	49,504	
<b>(04) Total Amount Claimed</b>	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	<b>386,258</b>

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>1999 / 2000</b>					
(03) Name of College <b>CANADA COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; text-align: center;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>							
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	204,104	61,231	265,335				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	204,104	61,231	265,335				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	687	4,539	11	7,557	11	49,929	57,486
2. Per spring semester	685	4,700	11	7,535	11	51,700	59,235
3. Per summer session	4	2,941	7	28	7	20,587	20,615
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						137,336
(10) Sub-total	[Line (07) - line (09)]						127,999
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						127,999

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY							Form HFE-1.1
(01) Claimant <b>San Mateo County Community College District</b>			(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>		Fiscal Year <b>1999 / 2000</b>		
(03) Name of College <b>COLLEGE OF SAN MATEO</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>							
					Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim					349,219	104,766	453,984
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]					349,219	104,766	453,984
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	2,047	8,290	11	22,517	11	91,190	113,707
2. Per spring semester	1,873	8,628	11	20,603	11	94,909	115,512
3. Per summer session	30	5,340	7	210	7	37,380	37,590
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected					[Line (8.1g) + (8.2g) +.....(8.6g)]		266,809
(10) Sub-total					[Line (07) - line (09)]		187,175
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed					[Line (10) - {(line (11) +line (12))}]		187,175

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>1999 / 2000</b>					
(03) Name of College <b>SKYLINE COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; text-align: center;"> <div>LESS <input type="checkbox"/></div> <div>SAME <input checked="" type="checkbox"/></div> <div>MORE <input type="checkbox"/></div> </div>							
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	193,063	57,919	250,982				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	193,063	57,919	250,982				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,338	6,399	11	14,718	11	70,389	85,107
2. Per spring semester	1,280	6,891	11	14,080	11	75,801	89,881
3. Per summer session	4	4,856	7	28	7	33,992	34,020
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected [Line (8.1g) + (8.2g) +.....(8.6g)]							209,008
(10) Sub-total [Line (07) - line (09)]							41,974
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed [Line (10) - {(line (11) +line (12))}]							41,974

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <b>Estimated</b>	<input type="checkbox"/> <input checked="" type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>				
(03) Name of College <b>CANADA COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . <b>STOP</b> , do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	210,227	63,068	273,295				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	210,227	63,068	273,295				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	687	4,539	11	7,554	11	49,932	57,486
2. Per spring semester	685	4,700	11	7,539	11	51,696	59,235
3. Per summer session	4	2,941	7	31	7	20,584	20,615
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +.....(8.6g)]						137,336
(10) Sub-total	[Line (07) - line (09)]						135,959
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						135,959

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <b>Estimated</b>	<input type="checkbox"/> <input checked="" type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>				
(03) Name of College <b>COLLEGE OF SAN MATEO</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	359,695	107,909	467,604				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	359,695	107,909	467,604				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	2,047	8,290	11	22,512	11	91,195	113,707
2. Per spring semester	1,873	8,628	11	20,598	11	94,913	115,511
3. Per summer session	30	5,340	7	212	7	37,378	37,590
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +.....(8.6g)]						266,808
(10) Sub-total	[Line (07) - line (09)]						200,796
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {line (11) +line (12)}]						200,796

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement Estimated	<input type="checkbox"/> <input checked="" type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>				
(03) Name of College <b>SKYLINE COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	198,855	59,657	258,512				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	198,855	59,657	258,512				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part-time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,338	6,399	11	14,714	11	70,393	85,107
2. Per spring semester	1,280	6,891	11	14,084	11	75,797	89,881
3. Per summer session	4	4,856	7	30	7	33,990	34,020
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						209,008
(10) Sub-total	[Line (07) - line (09)]						49,504
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - (line (11) +line (12))]						49,504

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
Accident Reports		X	X
Appointments			
College Physician, surgeon			
Dermatology, family practice			
Internal Medicine			
Outside Physician			
Dental Services			
Outside Labs, (X-ray, etc.)			
Psychologist, full services			
Cancel / Change Appointments		X	X
Registered Nurse		X	X
Check Appointments		X	X
Assessment, Intervention and Counseling			
Birth Control		X	X
Lab Reports			
Nutrition		X	X
Test Results, Office			
Venereal Disease			
Communicable Disease		X	X
Upper Respiratory Infection		X	X
Eyes, Nose and Throat		X	X
Eye / Vision		X	X
Dermatology / Allergy		X	X
Gynecology / Pregnancy Service		X	X
Neuralgic			
Orthopedic		X	X
Genito / Urinary		X	X
Dental		X	X
Gastro - Intestinal		X	X
Stress Counseling		X	X
Crisis Intervention		X	X
Child Abuse Reporting and Counseling		X	X
Substance Abuse Identification and Counseling			
Acquired Immune Deficiency Syndrome		X	X
Eating Disorders			
Weight Control		X	X
Personal Hygiene		X	X
Burnout		X	X
Other Medical Problems, List		X	X
Examinations, minor illnesses			
Recheck Minor Injury		X	X
Health Talks or Fairs, Information			
Sexually Transmitted Disease		X	X
Drugs		X	X
Acquired Immune Deficiency Syndrome		X	X

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
Child Abuse			
Birth Control / Family Planning			
Stop Smoking			
Library, Videos and Cassettes		X	X
First Aid, Major Emergencies		X	X
First Aid, Minor Emergencies		X	X
First Aid Kits, Filled		X	X
Immunizations			
Diphtheria / Tetanus		X	X
Measles / Rubella (Last time was 1987)		X	X
Influenza Information		X	X
Insurance			
On Campus Accident		X	X
Voluntary		X	X
Insurance Inquiry / Claim Administration		X	X
Laboratory Tests Done			
Inquiry / Interpretation			
Pap Smears			
Physical Examinations			
Employees			
Students			
Athletes			
Medications			
Antacids		X	X
Antidiarrheal		X	X
Aspirin, Tylenol, Etc		X	X
Skin Rash Preparations		X	X
Eye Drops			
Ear Drops			
Toothache, oil cloves		X	X
Stingkill		X	X
Midol, Menstrual Cramps		X	X
Other, list			
Parking Cards / Elevator Keys			
Tokens			
Return Card / Key			
Parking Inquiry		X	X
Elevator Passes			
Temporary Handicapped Parking Permits			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
Referrals to Outside Agencies	Private Medical Doctor	X	X
	Health Department	X	X
	Clinic	X	X
	Dental	X	X
	Counseling Centers	X	X
	Crisis Centers	X	X
	Transitional Living Facilities, battered / homeless women	X	X
	Family Planning Facilities		
	Other Health Agencies		
Tests	Blood Pressure	X	X
	Hearing	X	X
	Tuberculosis		
	Reading	X	X
	Information	X	X
	Vision		
	Glucometer		
	Urinalysis		
	Hemoglobin		
	EKG		
	Strep A testing	X	X
	PG Testing		
	Monospot		
Hemacult			
Others, list			
Miscellaneous	Absence Excuses / PE Waiver	X	X
	Allergy Injections	X	X
	Band-aids	X	X
	Booklets / Pamphlets	X	X
	Dressing Change	X	X
	Rest		
	Suture Removal	X	X
	Temperature	X	X
	Weight	X	X
	Information	X	X
	Report / Form	X	X
	Wart Removal		
	Others, list		
	Committees	Safety	X
Environmental		X	X
Disaster Planning			

**Health Fee Elimination Worksheet**  
**Reimbursement Claim for 1999 / 2000**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 99	4	4,856	7	28	7	33,992	34,020
Fall 99	1,338	6,399	11	14,718	11	70,389	85,107
Spring 00	1,280	6,891	11	14,080	11	75,801	89,881
<b>Canada</b>							
Summer 99	4	2,941	7	28	7	20,587	20,615
Fall 99	687	4,539	11	7,557	11	49,929	57,486
Spring 00	685	4,700	11	7,535	11	51,700	59,235
<b>CSM</b>							
Summer 99	30	5,340	7	210	7	37,380	37,590
Fall 99	2,047	8,290	11	22,517	11	91,190	113,707
Spring 00	1,873	8,628	11	20,603	11	94,909	115,512

**Net (Total number F/T - Health Fee Waivers)**

	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 99	5	5,713	5,718	858	4,860	0.1501
Fall 99	1,564	7,482	9,046	1,309	7,737	0.1447
Spring 00	1,488	8,008	9,496	1,325	8,171	0.1395
<b>Canada</b>						
Summer 99	5	3,272	3,277	332	2,945	0.1013
Fall 99	766	5,063	5,829	603	5,226	0.1034
Spring 00	768	5,266	6,034	649	5,385	0.1076
<b>CSM</b>						
Summer 99	34	5,993	6,027	657	5,370	0.1090
Fall 99	2,340	9,479	11,819	1,482	10,337	0.1254
Spring 00	2,125	9,792	11,917	1,416	10,501	0.1188

**Health Fee Elimination Worksheet**  
**Estimated Claim for 2000 / 2001**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 00	4	4,856	7	30	7	33,990	34,020
Fall 00	1,338	6,399	11	14,714	11	70,393	85,107
Spring 01	1,280	6,891	11	14,084	11	75,797	89,881
<b>Canada</b>							
Summer 00	4	2,941	7	31	7	20,584	20,615
Fall 00	687	4,539	11	7,554	11	49,932	57,486
Spring 01	685	4,700	11	7,539	11	51,696	59,235
<b>CSM</b>							
Summer 00	30	5,340	7	212	7	37,378	37,590
Fall 00	2,047	8,290	11	22,512	11	91,195	113,707
Spring 01	1,873	8,628	11	20,598	11	94,913	115,511

**Net (Total number F/T - Health Fee Waivers)**

	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 00	5	5,713	5,718	852	4,866	0.1490
Fall 00	1,564	7,482	9,046	1,220	7,826	0.1349
Spring 01	1,488	8,008	9,496	1,220	8,276	0.1285
<b>Canada</b>						
Summer 00	5	3,272	3,277	329	2,948	0.1004
Fall 00	766	5,063	5,829	568	5,261	0.0974
Spring 01	768	5,266	6,034	568	5,466	0.0941
<b>CSM</b>						
Summer 00	34	5,993	6,027	657	5,370	0.1090
Fall 00	2,340	9,479	11,819	1,420	10,399	0.1201
Spring 01	2,125	9,792	11,917	1,420	10,497	0.1192

**Health Fee Elimination Worksheet  
Base Year Vs Current Year**

<u>Total Expenditures</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total</u>
Base Yr: 86-87	254,875	178,473	133,768	567,116
Current Yr: 99-00	349,219	193,063	204,104	746,386
Diff. Base Vs Current Yr.	94,344	14,590	70,336	179,270
Indirect Cost Rate	30%			

**Expenditures by Account Type**

**Fund 1 (1%)**  
**Expenditures**

	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total Expenses</u>
Salary & Benefit	89,854.97	14,130.68	95,536.85	199,522.50
Supplies & Materials	5,297.43	3,929.65	840.76	10,067.84
Other Oper. Expenses	29,435.27		770.00	30,205.27
Capital Outlay	1,067.35	8,724.19	408.10	10,199.64
Other outgo Expenses				-
<b>Total Expenses</b>	<b>125,655.02</b>	<b>26,784.52</b>	<b>97,555.71</b>	<b>249,995.25</b>

**Fund 3 (39030)**

Salary & Benefit	218,919.97	134,975.18	91,576.54	445,471.69
Supplies & Materials	4,143.87	8,007.00	2,057.26	14,208.13
Other Oper. Expenses		20,504.78	12,914.04	33,418.82
Capital Outlay	499.98	2,791.83		3,291.81
Other outgo Expenses				-
<b>Total Expenses</b>	<b>223,563.82</b>	<b>166,278.79</b>	<b>106,547.84</b>	<b>496,390.45</b>
<b>Total Fund 1 &amp; 3</b>	<b>349,218.84</b>	<b>193,063.31</b>	<b>204,103.55</b>	

copy

State Controller's Office

State Mandated Cost Manual

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>HEALTH FEE ELIMINATION</b>	For State Controller Use Only	
	(19) Program Number 00029	
	(20) Date File _____	
	(21) LRS Input _____	

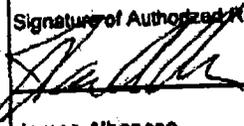
(01) Claimant Identification Number		S41100		Reimbursement Claim Data	
(02) Mailing Address				(22) HFE-1.0,(04)(b)	381,031
Claimant Name		San Mateo Co. Comm Col. Dist		(23)	
County of Location		San Mateo County		(24)	
Street Address or P.O.Box		3401 CSM Drive		(25)	
City San Mateo	State CA	Zip Code	94402	(26)	
Type of Claim	Estimated Claim	Reimbursement Claim			
	(3) Estimated	<input checked="" type="checkbox"/>	(9) Reimbursement	<input checked="" type="checkbox"/>	(27)
	(4) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>	(28)
	(5) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>	(29)
				(30)	
Fiscal Year of Cost	(6)	2001 / 2002	(12)	2000 / 2001	(31)
Total Claimed Amount	(7)	403,444	(13)	381,031	(32)
Less: 10% Late Penalty, not to exceed \$1,000			(14)		(33)
Less: Estimated Claim Payment Received			(15)	386,258	(34)
Net Claimed Amount			(16)		(35)
Due from State	(8)	403,444	(17)		(36)
Due to State			(18)	(25,227)	(38)

**(38) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987.

The amounts for Estimated Claim and / or Reimbursement Claim are hereby claimed from the State for payment of estimated and / or actual costs for the mandated program of Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987, set forth on the attached statements.

Signature of Authorized Representative  
  
 \_\_\_\_\_  
 James Albanese  
 Type or Print Name

Date  
 1/10/02  
 \_\_\_\_\_  
 Associate Chancellor  
 Title

(39) Name of Contact Person for Claim  
 Raymond Chow  
 chow@smccd.net  
 Telephone Number  
 650-358-8742  
 EXT.

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>
(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)		
(a) Name of College		(b) Claimed Amount
1. College of San Mateo		193,082
2. Canada College		139,007
3. Skyline College		28,942
(04) Total Amount Claimed	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	361,031

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>	Fiscal Year <b>2001 / 2002</b>
<b>(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College	(b) Claimed Amount	
1. College of San Mateo	211,957	
2. Canada College	149,789	
3. Skyline College	41,698	
<b>(04) Total Amount Claimed</b>	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	403,444

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		Form HFE-1.1					
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> Estimated <input type="checkbox"/> X <input type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>					
(03) Name of College <b>CANADA COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked, STOP, do not complete the form. No reimbursement is allowed <div style="display: flex; justify-content: space-around; text-align: center;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>							
	Direct Cost	Indirect Cost					
(05) Cost of health services for the fiscal year of claim	207,897	62,369					
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	207,897	62,369					
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	719	4,162	11	7,909	11	45,782	53,691
2. Per spring semester	638	4,469	11	7,018	11	49,159	56,177
3. Per summer session	1	2,673	8	8	8	21,384	21,392
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						131,260
(10) Sub-total	[Line (07) - line (09)]						139,007
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) + line (12))}]						139,007

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>					
(03) Name of College <b>COLLEGE OF SAN MATEO</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; text-align: center;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>							
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	353,992	106,198	460,190				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	353,992	106,198	460,190				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,974	8,446	11	21,714	11	92,906	114,620
2. Per spring semester	1,702	8,474	11	18,722	11	93,214	111,936
3. Per summer session	7	5,062	8	56	8	40,496	40,552
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						267,108
(10) Sub-total	[Line (07) - line (09)]						193,082
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {line (11) +line (12)}]						193,082

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>2000 / 2001</b>					
(03) Name of College <b>SKYLINE COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed  <div style="display: flex; justify-content: space-around; text-align: center;"> <div>LESS <input type="checkbox"/></div> <div>SAME <input checked="" type="checkbox"/></div> <div>MORE <input type="checkbox"/></div> </div>							
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	189,214	56,764	245,978				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	189,214	56,764	245,978				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Périod for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,294	6,536	11	14,234	11	71,896	86,130
2. Per spring semester	1,307	6,683	11	14,377	11	73,513	87,890
3. Per summer session	6	5,371	8	48	8	42,968	43,016
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +.....(8.6g)]						217,036
(10) Sub-total	[Line (07) - line (09)]						28,942
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {line (11) +line (12)}]						28,942

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		Form HFE-1.1					
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <b>Estimated</b>	Fiscal Year <b>2001 / 2002</b>					
(03) Name of College <b>CANADA COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost					
(05) Cost of health services for the fiscal year of claim	214,134	64,240					
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	214,134	64,240					
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	719	4,162	11	7,908	11	45,783	53,691
2. Per spring semester	638	4,469	11	7,018	11	49,159	56,177
3. Per summer session	1	2,673	7	6	7	18,712	18,718
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +.....(8.6g)]						128,586
(10) Sub-total	[Line (07) - line (09)]						149,789
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						149,789

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <b>Estimated</b>	<input type="checkbox"/> <input checked="" type="checkbox"/>	Fiscal Year <b>2001 / 2002</b>				
(03) Name of College <b>COLLEGE OF SAN MATEO</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	364,612	109,384	473,996				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	364,612	109,384	473,996				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,974	8,446	11	21,716	11	92,904	114,620
2. Per spring semester	1,702	8,474	11	18,717	11	93,219	111,936
3. Per summer session	7	5,062	7	49	7	35,434	35,483
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						262,039
(10) Sub-total	[Line (07) - line (09)]						211,957
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) + line (12))}]						211,957

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement Estimated	<input type="checkbox"/> <input checked="" type="checkbox"/>	Fiscal Year <b>2001 / 2002</b>				
(03) Name of College <b>SKYLINE COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	194,890	58,467	253,357				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	194,890	58,467	253,357				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,294	6,536	11	14,229	11	71,901	86,130
2. Per spring semester	1,307	6,683	11	14,372	11	73,518	87,890
3. Per summer session	6	5,371	7	42	7	37,597	37,639
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +.....(8.6g)]						211,659
(10) Sub-total	[Line (07) - line (09)]						41,698
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - (line (11) +line (12))]						41,698

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2000 / 2001	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a)	(b)
		FY 1986/87	Fy of Claim
Accident Reports		X	X
Appointments			
College Physician, surgeon			
Dermatology, family practice			
Internal Medicine			
Outside Physician			
Dental Services			
Outside Labs, (X-ray, etc.)			
Psychologist, full services			
Cancel / Change Appointments		X	X
Registered Nurse		X	X
Check Appointments		X	X
Assessment, intervention and Counseling			
Birth Control		X	X
Lab Reports			
Nutrition		X	X
Test Results, Office			
Venereal Disease			
Communicable Disease		X	X
Upper Respiratory Infection		X	X
Eyes, Nose and Throat		X	X
Eye / Vision		X	X
Dermatology / Allergy		X	X
Gynecology / Pregnancy Service		X	X
Neuralgic			
Orthopedic		X	X
Genito / Urinary		X	X
Dental		X	X
Gastro - Intestinal		X	X
Stress Counseling		X	X
Crisis Intervention		X	X
Child Abuse Reporting and Counseling		X	X
Substance Abuse Identification and Counseling			
Acquired Immune Deficiency Syndrome		X	X
Eating Disorders			
Weight Control		X	X
Personal Hygiene		X	X
Burnout		X	X
Other Medical Problems, List		X	X
Examinations, minor illnesses			
Recheck Minor Injury		X	X
Health Talks or Fairs, Information			
Sexually Transmitted Disease		X	X
Drugs		X	X
Acquired Immune Deficiency Syndrome		X	X

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2000 / 2001	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
		X	X
Child Abuse			
Birth Control / Family Planning			
Stop Smoking			
Library, Videos and Cassettes	X	X	
First Aid, Major Emergencies	X	X	
First Aid, Minor Emergencies	X	X	
First Aid Kits, Filled	X	X	
Immunizations			
Diphtheria / Tetanus			
Measles / Rubella ( Last time was 1987)	X	X	
Influenza			
Information	X	X	
Insurance			
On Campus Accident	X	X	
Voluntary	X	X	
Insurance Inquiry / Claim Administration	X	X	
Laboratory Tests Done			
Inquiry / Interpretation			
Pap Smears			
Physical Examinations			
Employees			
Students			
Athletes			
Medications			
Antacids	X	X	
Antidiarrheal	X	X	
Aspirin, Tylenol, Etc	X	X	
Skin Rash Preparations	X	X	
Eye Drops			
Ear Drops			
Toothache, oil cloves	X	X	
Stingkill	X	X	
Midol, Menstrual Cramps	X	X	
Other, list			
Parking Cards / Elevator Keys			
Tokens			
Return Card / Key			
Parking Inquiry	X	X	
Elevator Passes			
Temporary Handicapped Parking Permits			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2000 / 2001	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
Referrals to Outside Agencies	Private Medical Doctor	X	X
	Health Department	X	X
	Clinic	X	X
	Dental	X	X
	Counseling Centers	X	X
	Crisis Centers	X	X
	Transitional Living Facilities, battered / homeless women	X	X
	Family Planning Facilities	X	X
	Other Health Agencies		
Tests	Blood Pressure	X	X
	Hearing	X	X
	Tuberculosis		
	Reading	X	X
	Information	X	X
	Vision	X	X
	Glucometer		
	Urinalysis		
	Hemoglobin		
	EKG		
	Strep A testing	X	X
	PG Testing		
	Monospot		
	Hemacult		
	Others, list		
Miscellaneous	Absence Excuses / PE Waiver	X	X
	Allergy Injections	X	X
	Bandaids	X	X
	Booklets / Pamphlets	X	X
	Dressing Change	X	X
	Rest	X	X
	Suture Removal		
	Temperature	X	X
	Weight	X	X
	Information	X	X
	Report / Form	X	X
	Wart Removal		
	Others, list		
Committees	Safety	X	X
	Environmental		
	Disaster Planning	X	X

**Health Fee Elimination Worksheet**  
**Reimbursement Claim for 2000 / 2001**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part-time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 00	6	5,371	8	48	8	42,968	43,016
Fall 00	1,294	6,536	11	14,234	11	71,896	86,130
Spring 01	1,307	6,683	11	14,377	11	73,513	87,890
<b>Canada</b>							
Summer 00	1	2,673	8	8	8	21,384	21,392
Fall 00	719	4,162	11	7,909	11	45,782	53,691
Spring 01	638	4,469	11	7,018	11	49,159	56,177
<b>CSM</b>							
Summer 00	7	5,062	8	56	8	40,496	40,552
Fall 00	1,974	8,446	11	21,714	11	92,906	114,620
Spring 01	1,702	8,474	11	18,722	11	93,214	111,936

**Net (Total number F/T - Health Fee Waivers)**

	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 00	7	6,238	6,245	868	5,377	0.1390
Fall 00	1,504	7,600	9,104	1,274	7,830	0.1399
Spring 01	1,510	7,724	9,234	1,244	7,990	0.1347
<b>Canada</b>						
Summer 00	1	2,974	2,975	301	2,674	0.1012
Fall 00	839	4,857	5,696	815	4,881	0.1431
Spring 01	759	5,317	6,076	969	5,107	0.1595
<b>CSM</b>						
Summer 00	8	5,727	5,735	666	5,069	0.1161
Fall 00	2,276	9,737	12,013	1,593	10,420	0.1326
Spring 01	1,957	9,747	11,704	1,528	10,176	0.1306

**Health Fee Elimination Worksheet**  
**Estimated Claim for 2000 / 2001**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part-time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 00	6	5,371	7	42	7	37,597	37,639
Fall 00	1,294	6,536	11	14,229	11	71,901	86,130
Spring 01	1,307	6,683	11	14,372	11	73,518	87,890
<b>Canada</b>							
Summer 00	1	2,673	7	6	7	18,712	18,718
Fall 00	719	4,162	11	7,908	11	45,783	53,691
Spring 01	638	4,469	11	7,018	11	49,159	56,177
<b>CSM</b>							
Summer 00	7	5,062	7	49	7	35,434	35,483
Fall 00	1,974	8,446	11	21,716	11	92,904	114,620
Spring 01	1,702	8,474	11	18,717	11	93,219	111,936

**Net (Total number F/T - Health Fee Waivers)**

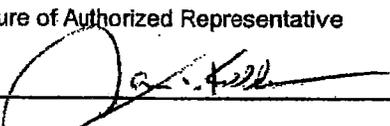
	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 00	7	6,238	6,245	852	5,393	0.1364
Fall 00	1,504	7,600	9,104	1,220	7,884	0.1340
Spring 01	1,510	7,724	9,234	1,220	8,014	0.1321
<b>Canada</b>						
Summer 00	1	2,974	2,975	329	2,646	0.1106
Fall 00	839	4,857	5,696	568	5,128	0.0997
Spring 01	759	5,317	6,076	568	5,508	0.0935
<b>CSM</b>						
Summer 00	8	5,727	5,735	657	5,078	0.1146
Fall 00	2,276	9,737	12,013	1,420	10,593	0.1182
Spring 01	1,957	9,747	11,704	1,420	10,284	0.1213

**Health Fee Elimination Worksheet  
Base Year Vs Current Year**

<u>Total Expenditures</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total</u>
Base Yr: 86-87	254,875	178,473	133,768	567,116
Current Yr: 00-01	353,992	189,214	207,897	751,104
Diff. Base Vs Current Yr.	99,117	10,741	74,129	183,988
Indirect Cost Rate	30%			

**Expenditures by Account Type**

<u>Fund 1 (1%) Expenditures</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total Expenses</u>
Salary & Benefit	120,455.47	17,798.00	109,222.72	247,476.19
Supplies & Materials	4,433.82		1,367.91	5,801.73
Other Oper. Expenses	26,534.64		1,381.01	27,915.65
Capital Outlay			4,253.23	4,253.23
Other outgo Expenses				-
<b>Total Expenses</b>	<b>151,423.93</b>	<b>17,798.00</b>	<b>116,224.87</b>	<b>285,446.80</b>
 <u>Fund 3 (39030)</u>				
Salary & Benefit	191,040.37	123,251.72	80,240.99	394,533.08
Supplies & Materials	8,814.72	22,718.45		31,533.17
Other Oper. Expenses	2,497.41	18,783.50	11,431.62	32,712.53
Capital Outlay	215.99	6,662.16		6,878.15
Other outgo Expenses				-
<b>Total Expenses</b>	<b>202,568.49</b>	<b>171,415.83</b>	<b>91,672.61</b>	<b>465,656.93</b>
 Total Fund 1 & 3	353,992.42	189,213.83	207,897.48	751,103.73

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 HEALTH FEE ELIMINATION			For State Controller Use Only	
			(19) Program Number 00029	Program <b>029</b>
			(20) Date File _____ / _____ / _____	
			(21) LRS Input _____ / _____ / _____	
(01) Claimant Identification Number <b>S41100</b>			<b>Reimbursement Claim Data</b>	
(02) Mailing Address			(22) HFE-1.0,(04)(b)	541,047
Claimant Name <b>San Mateo Co. Comm Col. Dist</b>			(23)	
County of Location <b>San Mateo County</b>			(24)	
Street Address or P.O.Box <b>3401 CSM Drive</b>			(25)	
City <b>San Mateo</b> State <b>CA</b> Zip Code <b>94402</b>			(26)	
Type of Claim	Estimated Claim	Reimbursement Claim		
	(3) Estimated <input checked="" type="checkbox"/>	(9) Reimbursement <input checked="" type="checkbox"/>	(27)	
	(4) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(5) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
			(30)	
Fiscal Year of Cost	(6) <b>2002 / 2003</b>	(12) <b>2001 / 2002</b>	(31)	
Total Claimed Amount	(7) <b>412,990</b>	(13) <b>541,047</b>	(32)	
Less: 10% Late Penalty, not to exceed <b>\$1,000</b>		(14)	(33)	
Less: Estimated Claim Payment Received		(15) <b>403,444</b>	(34)	
Net Claimed Amount		(16)	(35)	
Due from State	(8) <b>412,990</b>	(17) <b>137,603</b>	(36)	
Due to State		(18)		
<b>(38) CERTIFICATION OF CLAIM</b>				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, Inclusive.</p> <p>I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987.</p> <p>The amounts for Estimated Claim and / or Reimbursement Claim are hereby claimed from the State for payment of estimated and / or actual costs for the mandated program of Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987, set forth on the attached statements.</p>				
Signature of Authorized Representative			Date	
			<b>1/15/03</b>	
James Keller			Executive Vice Chancellor	
Name or Print Name			Title	
(39) Name of Contact Person for Claim <b>Raymond Chow</b>			Telephone Number <b>650-358-6742</b> EXT.	
			<b>chow@smccd.net</b>	

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>2001 / 2002</b>
<b>(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College		(b) Claimed Amount
1. College of San Mateo		296,955
2. Canada College		116,122
3. Skyline College		127,970
<b>(04) Total Amount Claimed</b>	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	<b>541,047</b>

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input checked="" type="checkbox"/>	Fiscal Year <b>2002 / 2003</b>
<b>(03) List all the Colleges of the community college district identified in form HFE-1.1, line (03)</b>		
(a) Name of College	(b) Claimed Amount	
1. College of San Mateo	256,252	
2. Canada College	76,705	
3. Skyline College	80,033	
<b>(04) Total Amount Claimed</b>	[Line (3.1b)+line (3.2b) +line (3.3b) +...line(3.21b)]	412,990

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		Form HFE-1.1					
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> Estimated	Fiscal Year <b>2001 / 2002</b>					
(03) Name of College <b>CANADA COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost					
(05) Cost of health services for the fiscal year of claim	184,216	55,265					
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	184,216	55,265					
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	953	3,503	11	10,485	11	38,531	49,016
2. Per spring semester	973	3,792	11	10,699	11	41,716	52,415
3. Per summer session	4	2,737	8	33	8	21,895	21,928
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + ..... (8.6g)]						123,359
(10) Sub-total	[Line (07) - line (09)]						116,122
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						116,122

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY							Form HFE-1.1	
(01) Claimant <b>San Mateo County Community College District</b>				(02) Type of Claim Reimbursement Estimated <input checked="" type="checkbox"/>		Fiscal Year <b>2002 / 2003</b>		
(03) Name of College <b>CANADA COLLEGE</b>								
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>								
						Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim						189,742	56,923	246,665
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87								
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]						189,742	56,923	246,665
(08) Complete Columns (a) through (g) to provide detail data for health fees								
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)	
1. Per fall semester	1,381	5,346	11	15,191	11	58,806	73,997	
2. Per spring semester	1,269	4,948	11	13,959	11	54,428	68,387	
3. Per summer session	1	3,446	8	8	8	27,568	27,576	
4. Per first quarter								
5. Per second quarter								
6. Per third quarter								
(09) Total health fee that could have been collected						[Line (8.1g) + (8.2g) + .....(8.6g)]		169,960
(10) Sub-total						[Line (07) - line (09)]		76,705
<b>Cost Reduction</b>								
(11) Less: Offsetting Savings, if applicable								0
(12) Less: Other Reimbursements, if applicable								0
(13) Total Amount Claimed						[Line (10) - {line (11) +line (12)}]		76,705

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year <b>2001 / 2002</b>					
(03) Name of College <b>COLLEGE OF SAN MATEO</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <span>LESS <input type="checkbox"/></span> <span>SAME <input checked="" type="checkbox"/></span> <span>MORE <input type="checkbox"/></span> </div>							
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	431,805	129,541	561,346				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	431,805	129,541	561,346				
(08) Complete Columns (a) through (g) to provide detail data for health fees.							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	2,537	7,545	11	27,902	11	83,000	110,902
2. Per spring semester	2,368	7,747	11	26,051	11	85,214	111,265
3. Per summer session	82	5,196	8	655	8	41,569	42,224
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						264,391
(10) Sub-total	[Line (07) - line (09)]						296,955
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						296,955

<b>MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY</b>	<b>Form HFE-1.1</b>
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(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement Estimated <input type="checkbox"/> X <input type="checkbox"/>	Fiscal Year <b>2002 / 2003</b>
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(03) Name of College **COLLEGE OF SAN MATEO**

(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed

LESS	SAME	MORE
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim	444,759	133,428	578,187
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87			
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	444,759	133,428	578,187

(08) Complete Columns (a) through (g) to provide detail data for health fees

Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	3,146	9,433	11	34,606	11	103,763	138,369
2. Per spring semester	2,782	9,100	11	30,602	11	100,100	130,702
3. Per summer session	9	6,599	8	72	8	52,792	52,864
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]	321,935
(10) Sub-total	[Line (07) - line (09)]	256,252

<b>Cost Reduction</b>		
(11) Less: Offsetting Savings, if applicable		0
(12) Less: Other Reimbursements, if applicable		0
(13) Total Amount Claimed	[Line (10) - {line (11) +line (12)}]	256,252

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY				Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>			(02) Type of Claim <b>Reimbursement</b> <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>			Fiscal Year <b>2001 / 2002</b>		
(03) Name of College <b>SKYLINE COLLEGE</b>								
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed								
LESS <input type="checkbox"/>		SAME <input checked="" type="checkbox"/>		MORE <input type="checkbox"/>				
						Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim						255,494	76,648	332,142
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87								
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]						255,494	76,648	332,142
(08) Complete Columns (a) through (g) to provide detail data for health fees								
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part-time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)	
1. Per fall semester	1,753	5,288	11	19,282	11	58,169	77,451	
2. Per spring semester	1,766	5,941	11	19,426	11	65,351	84,777	
3. Per summer session	11	5,232	8	88	8	41,856	41,944	
4. Per first quarter								
5. Per second quarter								
6. Per third quarter								
(09) Total health fee that could have been collected						[Line (8.1g) + (8.2g) +.....(8.6g)]		204,172
(10) Sub-total						[Line (07) - line (09)]		127,970
<b>Cost Reduction</b>								
(11) Less: Offsetting Savings, if applicable								0
(12) Less: Other Reimbursements, if applicable								0
(13) Total Amount Claimed						[Line (10) - (line (11) +line (12))]		127,970

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY			Form HFE-1.1				
(01) Claimant <b>San Mateo County Community College District</b>	(02) Type of Claim Reimbursement <b>Estimated</b>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td style="width:50%; height: 15px;"></td></tr> <tr><td style="width:50%; text-align: center;">X</td></tr> </table>		X	Fiscal Year <b>2002 / 2003</b>		
X							
(03) Name of College <b>SKYLINE COLLEGE</b>							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1996/87 fiscal year. If the "Less" box is checked . STOP, do not complete the form . No reimbursement is allowed							
LESS <input type="checkbox"/>	SAME <input checked="" type="checkbox"/>	MORE <input type="checkbox"/>					
	Direct Cost	Indirect Cost	Total				
(05) Cost of health services for the fiscal year of claim	263,159	78,948	342,106				
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of Providig current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	263,159	78,948	342,106				
(08) Complete Columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	2,433	7,161	11	26,763	11	78,771	105,534
2. Per spring semester	2,112	7,105	11	23,232	11	78,155	101,387
3. Per summer session	7	6,887	8	56	8	55,096	55,152
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) + .....(8.6g)]						262,073
(10) Sub-total	[Line (07) - line (09)]						80,033
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							0
(12) Less: Other Reimbursements, if applicable							0
(13) Total Amount Claimed	[Line (10) - {(line (11) +line (12))}]						80,033

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2001 / 2002	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a)	(b)
		FY 1986/87	Fy of Claim
Accident Reports		X	X
Appointments			
College Physician, surgeon			
Dermatology, family practice			
Internal Medicine			
Outside Physician			
Dental Services			
Outside Labs, (X-ray, etc.)			
Psychologist, full services			
Cancel / Change Appointments		X	X
Registered Nurse		X	X
Check Appointments		X	X
Assessment, Intervention and Counseling			
Birth Control		X	X
Lab Reports			
Nutrition		X	X
Test Results, Office			
Venereal Disease			
Communicable Disease		X	X
Upper Respiratory Infection		X	X
Eyes, Nose and Throat		X	X
Eye / Vision		X	X
Dermatology / Allergy		X	X
Gynecology / Pregnancy Service		X	X
Neuralgic			
Orthopedic		X	X
Genito / Urinary		X	X
Dental		X	X
Gastro - Intestinal		X	X
Stress Counseling		X	X
Crisis Intervention		X	X
Child Abuse Reporting and Counseling		X	X
Substance Abuse Identification and Counseling			
Acquired Immune Deficiency Syndrome		X	X
Eating Disorders			
Weight Control		X	X
Personal Hygiene		X	X
Burnout		X	X
Other Medical Problems, List		X	X
Examinations, minor illnesses			
Recheck Minor Injury		X	X
Health Talks or Fairs, Information			
Sexually Transmitted Disease		X	X
Drugs		X	X
Acquired Immune Deficiency Syndrome		X	X

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2001 / 2002	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) FY of Claim
	Child Abuse		
	Birth Control / Family Planning		
	Stop Smoking		
	Library, Videos and Cassettes	X	X
First Aid, Major Emergencies		X	X
First Aid, Minor Emergencies		X	X
First Aid Kits, Filled		X	X
Immunizations			
	Diphtheria / Tetanus		
	Measles / Rubella ( Last time was 1987)	X	X
	Influenza		
	Information	X	X
Insurance			
	On Campus Accident	X	X
	Voluntary	X	X
	Insurance Inquiry / Claim Administration	X	X
Laboratory Tests Done			
	Inquiry / Interpretation		
	Pap Smears		
Physical Examinations			
	Employees		
	Students		
	Athletes		
Medications			
	Antacids	X	X
	Antidiarrheal	X	X
	Aspirin, Tylenol, Etc	X	X
	Skin Rash Preparations	X	X
	Eye Drops		
	Ear Drops		
	Toothache, oil cloves	X	X
	Stingkill	X	X
	Midol, Menstrual Cramps	X	X
	Other, list		
Parking Cards / Elevator Keys			
	Tokens		
	Return Card / Key		
	Parking Inquiry	X	X
	Elevator Passes		
	Temporary Handicapped Parking Permits		

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		Form HFE- 2	
(01) Claimant: San Mateo Co. Comm Col. District		(02) Fiscal Year Costs were Incurred: 2001 / 2002	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1985/86	(b) Fy of Claim
Referrals to Outside Agencies	Private Medical Doctor	X	X
	Health Department	X	X
	Clinic	X	X
	Dental	X	X
	Counseling Centers	X	X
	Crisis Centers	X	X
	Transitional Living Facilities, battered / homeless women	X	X
	Family Planning Facilities		
	Other Health Agencies		
Tests	Blood Pressure	X	X
	Hearing	X	X
	Tuberculosis		
	Reading Information	X	X
	X	X	X
	Vision		
	Glucometer		
	Urinalysis		
	Hemoglobin		
	EKG		
	Strep A testing	X	X
	PG Testing		
	Monospot		
	Hemacult		
	Others, list		
Miscellaneous	Absence Excuses / PE Waiver	X	X
	Allergy Injections	X	X
	Bandaids	X	X
	Booklets / Pamphlets	X	X
	Dressing Change	X	X
	Rest		
	Suture Removal	X	X
	Temperature	X	X
	Weight	X	X
	Information	X	X
	Report / Form	X	X
	Wart Removal		
	Others, list		
Committees	Safety	X	X
	Environmental		
	Disaster Planning	X	X

**Health Fee Elimination Worksheet**  
**Reimbursement Claim for 2001 / 2002**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part-time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 01	13	6,176	8	104	8	49,408	49,512
Fall 01	2,101	6,338	11	23,111	11	69,718	92,829
Spring 02	2,112	7,105	11	23,232	11	78,155	101,387
<b>Canada</b>							
Summer 01	5	3,318	8	40	8	26,544	26,584
Fall 01	1,227	4,509	11	13,497	11	49,599	63,096
Spring 02	1,269	4,948	11	13,959	11	54,428	68,387
<b>CSM</b>							
Summer 01	93	5,899	8	744	8	47,192	47,936
Fall 01	2,956	8,793	11	32,516	11	96,723	129,239
Spring 02	2,782	9,100	11	30,602	11	100,100	130,702

**Net (Total number F/T - Health Fee Waivers)**

	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 01	13	6,176	6,189	946	5,243	0.1529
Fall 01	2,101	6,338	8,439	1,398	7,041	0.1657
Spring 02	2,112	7,105	9,217	1,510	7,707	0.1638
<b>Canada</b>						
Summer 01	5	3,318	3,323	582	2,741	0.1751
Fall 01	1,227	4,509	5,736	1,280	4,456	0.2232
Spring 02	1,269	4,948	6,217	1,452	4,765	0.2336
<b>CSM</b>						
Summer 01	93	5,899	5,992	714	5,278	0.1192
Fall 01	2,956	8,793	11,749	1,667	10,082	0.1419
Spring 02	2,782	9,100	11,882	1,767	10,115	0.1487

**Health Fee Elimination Worksheet**  
**Estimated Claim for 2002 / 2003**

	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student	(d) Full-time Student Health Fees (a) X (c)	(e) Unit Cost for Part-time Student	(f) Part -time Student Health Fees (b) X (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
<b>Skyline</b>							
Summer 02	7	6,887	8	56	8	55,096	55,152
Fall 02	2,433	7,161	11	26,763	11	78,771	105,534
Spring 03	2,112	7,105	11	23,232	11	78,155	101,387
<b>Canada</b>							
Summer 02	1	3,446	8	8	8	27,568	27,576
Fall 02	1,381	5,346	11	15,191	11	58,806	73,997
Spring 03	1,269	4,948	11	13,959	11	54,428	68,387
<b>CSM</b>							
Summer 02	9	6,599	8	72	8	52,792	52,864
Fall 02	3,146	9,433	11	34,606	11	103,763	138,369
Spring 03	2,782	9,100	11	30,602	11	100,100	130,702

**Net (Total number F/T - Health Fee Waivers)**

	Full Time Headcount	Part Time Headcount	Number of Headcount	Number of Bogg Waiver	Net Headcount	% of Waivers
<b>Skyline</b>						
Summer 02	7	6,887	6,894	946	5,948	0.1372
Fall 02	2,433	7,161	9,594	1,398	8,196	0.1457
Spring 03	2,112	7,105	9,217	1,510	7,707	0.1638
				-		
<b>Canada</b>						
Summer 02	1	3,446	3,447	582	2,865	0.1688
Fall 02	1,381	5,346	6,727	1,280	5,447	0.1903
Spring 03	1,269	4,948	6,217	1,452	4,765	0.2336
				-		
<b>CSM</b>						
Summer 02	9	6,599	6,608	714	5,894	0.1081
Fall 02	3,146	9,433	12,579	1,667	10,912	0.1325
Spring 03	2,782	9,100	11,882	1,767	10,115	0.1487

**Health Fee Elimination Worksheet  
Base Year Vs Current Year**

<u>Total Expenditures</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total</u>
Base Yr: 86-87	254,875	178,473	133,768	567,116
Current Yr: 01-02	431,805	255,494	184,216	871,514
Diff. Base Vs Current Yr.	176,930	77,021	50,448	304,398

Indirect Cost Rate                      30%

<u>Staffing information</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>
Certificated			
Classified			

**Expenditures by Account Type**

<u>Fund 1 (1%) Expenditures</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total Expenses</u>
Cert. Salary	119,578.34	22,527.30	63,997.94	86,525.24
Classified Salary	12,400.00	-	-	-
Benefit	19,294.54	1,765.37	11,624.14	32,684.05
Supplies & Materials	5,627.16	1,103.98	317.09	7,048.23
Other Oper. Expenses	24,459.39	-	1,423.18	25,882.57
Capital Outlay	1,684.57	-	-	1,684.57
Other outgo Expenses	16,063.00	22,836.00	2,476.00	41,375.00
<b>Total Expenses</b>	<b>199,107.00</b>	<b>48,232.65</b>	<b>79,838.35</b>	<b>195,199.66</b>

<u>Fund 3 (39030)</u>	<u>CSM</u>	<u>SKYLINE</u>	<u>CANADA</u>	<u>Campus Total Expenses</u>
Cert. Salary	138,324.54	97,239.50	76,224.02	173,463.52
Classified Salary	36,217.82	34,725.72	335.53	35,061.25
Benefit	40,819.13	18,062.64	14,717.41	32,780.05
Supplies & Materials	16,468.76	16,977.45	2,063.93	19,041.38
Other Oper. Expenses	867.57	21,410.83	11,036.65	32,447.48
Capital Outlay	-	18,844.93	-	18,844.93
Other outgo Expenses	-	-	-	-
<b>Total Expenses</b>	<b>232,697.82</b>	<b>207,261.07</b>	<b>104,377.54</b>	<b>311,638.61</b>
<b>Total Fund 1 &amp; 3</b>	<b>431,804.82</b>	<b>255,493.72</b>	<b>184,215.89</b>	<b>506,838.27</b>