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December 30, 2014  
Commission on  
State Mandates

**JOHN CHIANG**  
California State Controller

December 30, 2014

Heather Halsey  
Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Re: **Draft Proposed Decision**  
Incorrect Reduction Claim  
*Health Fee Elimination*, 05-4206-I-10  
Education Code Section 76355  
Statutes 1984, Chapter 1, 2<sup>nd</sup> E.S.; Statutes 1987, Chapter 1118  
Fiscal Years 1999-2000, 2000-2001, and 2001-2002  
Foothill-De Anza Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) draft staff analysis related to the above incorrect reduction claim filed by Foothill-De Anza Community College District. We support the Commission's conclusion and recommendation.

The Commission supported the SCO adjustments related to the following:

- The audit was not time-barred by any statutory or common-law limitation.
- The reduction in employee salary and benefit costs and related indirect costs, totaling \$3,143,440, is correct as a matter of law.
- The reduction in costs for services and supplies and related indirect costs, totaling \$562,648, is correct as a matter of law.
- The reduction in the development of indirect cost rates for calculation of the indirect cost rate, totaling \$442,402, is correct as a matter of law.

The Commission stated that it does not have jurisdiction to determine the SCO's recalculation of offsetting revenue that resulted in a benefit to the claimant totaling \$1,109,627.

Heather Halsey, Executive Director

December 30, 2014

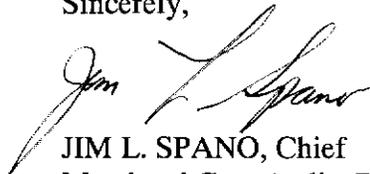
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The Commission did not support the SCO adjustment for the reduction in student accident insurance costs for fiscal year (FY) 1999-2000, totaling \$30,527. For that year, the district provided source documentation from a third-party vendor in the form of an invoice in the amount of \$118,000 from its insurance provider. The invoice states that the coverage related to a new policy for sports accidents (nonreimbursable) and for student accident coverage (reimbursable) without splitting the costs. The district did identify the portion related to student accident coverage when coding the invoiced amount for entry into its accounting system; however, the district provided no documentation supporting how it allocated the cost. Nevertheless, in reconsideration of the documentation the district provided, we will support the Commission's conclusion that the student accident insurance cost should be reinstated. We will reinstate the student accident coverage cost of \$35,176 (\$30,527 in direct costs and \$4,649 in related indirect costs) once the Commission adopts the statement of decision on the IRC.

For the other two years of the audit period (FY 2000-01 and FY 2001-02), the district charged \$24,000 and \$6,000 to the same account codes purportedly used for student accident coverage. However, for those two years, the district provided no documentation supporting the amount billed by the third-party vendor. The Commission staff agreed that the costs claimed for these two years are unsupported and should be unallowable.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,



JIM L. SPANO, Chief  
Mandated Cost Audits Bureau  
Division of Audits

JLS/sk

14924

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On January 2, 2015, I served the:

**SCO Comments**

*Health Fee Elimination, 05-4206-I-10*

Education Code Section 76355

Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118

Fiscal Years 1999-2000, 2000-2001, and 2001-2002

Foothill-De Anza Community College District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on January 2, 2015 at Sacramento, California.



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Heidi J. Palchik  
Commission on State Mandates  
980 Ninth Street, Suite 300  
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# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 11/19/14

**Claim Number:** 05-4206-I-10

**Matter:** Health Fee Elimination

**Claimant:** Foothill-De Anza Community College District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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