

**ITEM 9**  
**INCORRECT REDUCTION CLAIM**  
**PROPOSED DECISION**

Former Education Code section 72246 (Renumbered as 76355)  
Statutes 1984, Chapter 1 (1983-1984 2nd Ex. Sess.); Statutes 1987, Chapter 1118

*Health Fee Elimination*

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

06-4206-I-13

Pasadena Area Community College District, Claimant

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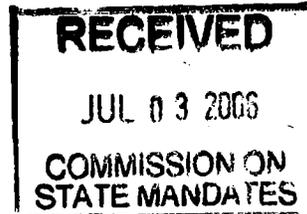
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June 30, 2006



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

RE: Incorrect Reduction Claim of Pasadena Area Community College District  
Health Fee Elimination  
Fiscal Years: 1999-00, 2000-01, and 2001-02

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for Pasadena Area 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:

Peter Hardash, Vice-President Administrative Services  
Pasadena Area Community College District  
1570 East Colorado Blvd.  
Pasadena, CA 91106-2003  
Voice: 626-585-7258  
Fax: 626-585-7968  
E-Mail: pjhardash@pasadena.edu

Thank-you.

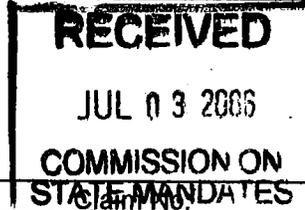
Sincerely,

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)

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06-4206-I-13

**INCORRECT REDUCTION CLAIM FORM**

Local Agency or School District Submitting Claim

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**Contact Person**

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**Representative Organization to be Notified**

Robert Miyashiro, Consultant, Education Mandated Cost Network  
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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>
1999-00	\$83,464
2000-01	\$107,550
2001-02	\$184,927
<b>Total Amount</b>	<b>\$375,941</b>

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

**Name and Title of Authorized Representative**

Peter Hardash, Vice-President Administrative Services

**Telephone No.**

Voice: 626-585-7258  
Fax: 626-585-7968  
E-Mail: [pjhardash@pasadena.edu](mailto:pjhardash@pasadena.edu)

**Signature of Authorized Representative**

X

**Date**

June 28, 2006

1 Claim Prepared by:  
2 Keith B. Petersen  
3 SixTen and Associates  
4 5252 Balboa Avenue, Suite 807  
5 San Diego, California 92117  
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7 Fax: (858) 514-8645

8 BEFORE THE  
9 COMMISSION ON STATE MANDATES

10 STATE OF CALIFORNIA

11  
12 INCORRECT REDUCTION CLAIM OF: )

13 ) No. CSM \_\_\_\_\_

14 )  
15 ) Chapter 1, Statutes of 1984, 2nd E.S.  
16 ) Chapter 1118, Statutes of 1987

17 **PASADENA AREA** )  
18 Community College District, )

19 ) Education Code Section 76355

20 )  
21 Claimant. )

22 ) **Health Fee Elimination**

23 ) Annual Reimbursement Claims:

24 ) Fiscal Year 1999-00

25 ) Fiscal Year 2000-01

26 ) Fiscal Year 2001-02

27 )  
28 \_\_\_\_\_ )  
INCORRECT REDUCTION CLAIM FILING

29 PART I. AUTHORITY FOR THE CLAIM

30 The Commission on State Mandates has the authority pursuant to Government  
31 Code Section 17551(d) to "... to hear and decide upon a claim by a local agency or  
32 school district, filed on or after January 1, 1985, that the Controller has incorrectly  
33 reduced payments to the local agency or school district pursuant to paragraph (2) of  
34 subdivision (d) of Section 17561." Pasadena Area Community College District

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

1 (hereafter "District") is a school district as defined in Government Code Section 17519.  
2 Title 2, CCR, Section 1185 (a), requires the claimant to file an incorrect reduction claim  
3 with the Commission.

4 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),  
5 requires incorrect reduction claims to be filed no later than three years following the  
6 date of the Controller's remittance advice notifying the claimant of a reduction. A  
7 Controller's audit report dated March 17, 2004, has been issued. The audit report  
8 constitutes a demand for repayment and adjudication of the claims. On July 20, 2004,  
9 the Controller issued "results of review letters" reporting the audit results for the FY  
10 1999-00, FY 2000-01 and FY 2001-02 claims, and demanding payment of amounts due  
11 to the state.

12 There is no alternative dispute resolution process available from the Controller's  
13 office. In response to an audit issued March 10, 2004, Foothill-De Anza Community  
14 College attempted to utilize the informal audit review process established by the  
15 Controller to resolve factual disputes. Foothill-De Anza was notified by the Controller's  
16 legal counsel by letter of July 15, 2004 (attached as Exhibit "A"), that the Controller's  
17 informal audit review process was not available for mandate audits and that the proper  
18 forum was the Commission on State Mandates.

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

20 The Controller conducted a field audit of the District's annual reimbursement  
21 claims for the costs of complying with the legislatively mandated Health Fee Elimination

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1 Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session and Chapter 1118,  
2 Statutes of 1987) for the period of July 1, 1999 through June 30, 2002. As a result of  
3 the audit, the Controller determined that \$375,941 of the claimed costs are  
4 unallowable:

5	<u>Fiscal</u>	<u>Amount</u>	<u>Audit</u>	<u>SCO</u>	<u>Amount Due</u>
6	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u>&lt;State&gt; District</u>
7	1999-00	\$83,464	\$83,464	\$83,464	<83,464>
8	2000-01	\$275,418	\$107,550	\$19,270	\$148,598
9	2001-02	<u>\$319,578</u>	<u>\$184,927</u>	<u>\$46,709</u>	<u>\$87,942</u>
10	Totals	\$678,460	\$375,941	\$149,443	\$153,067

11 Since the District has been paid \$149,443 for these claims, the audit report concludes  
12 that a remaining amount of \$153,067 will be paid by the State. The July 20, 2004  
13 results and review letters state that "the balance due will be forthcoming when  
14 additional funds are made available."

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

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

20 **PART IV. BASIS FOR REIMBURSEMENT**

21 1. Mandate Legislation

22 Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, repealed Education

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 Code Section 72246 which had authorized community college districts to charge a  
2 student health services fee for the purpose of providing student health supervision and  
3 services, direct and indirect medical and hospitalization services, and operation of  
4 student health centers. This statute also required the scope of student health services  
5 for which a community college district charged a fee during the 1983-84 fiscal year be  
6 maintained at that level thereafter. The provisions of this statute were to automatically  
7 repeal on December 31, 1987.

8 Chapter 1118, Statutes of 1987, amended Education Code Section 72246 to  
9 require any community college district that provided student health services in 1986-87  
10 to maintain student health services at that level each fiscal year thereafter.

11 Chapter 8, Statutes of 1993, Section 29, repealed Education Code Section  
12 72246, effective April 15, 1993. Chapter 8, Statutes of 1993, Section 34, added  
13 Education Code Section 76355<sup>1</sup>, containing substantially the same provisions as former

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<sup>1</sup> Education Code Section 76355, added by Chapter 8, Statutes of 1993, Section 34, effective April 15, 1993, as last amended by Chapter 758, Statutes of 1995, Section 99:

“(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 ten dollars (\$10) for each semester, seven dollars (\$7) for summer school, seven dollars (\$7) for each intersession of at least four weeks, or seven dollars (\$7) 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, 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

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 Section 72246, effective April 15, 1993.

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 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."

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1     2.     Test Claim

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

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

13            At a hearing on April 27, 1989, the Commission of State Mandates determined  
14    that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to  
15    apply to all community college districts which provided student health services in fiscal  
16    year 1986-1987 and required them to maintain that level of student health services in  
17    fiscal year 1987-1988 and each fiscal year thereafter.

18     3.     Parameters and Guidelines

19            On August 27, 1987, the original parameters and guidelines were adopted. On  
20    May 25, 1989, those parameters and guidelines were amended. A copy of the  
21    parameters and guidelines, as amended on May 25, 1989, is attached as Exhibit "B."

**Incorrect Reduction Claim of Pasadena Area Community College District  
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1 So far as is relevant to the issues presented below, the parameters and guidelines  
2 state:

3 **"V. REIMBURSABLE COSTS**

4 **A. Scope of Mandate**

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

8 **VI. CLAIM PREPARATION**

9 **B... 3. Allowable Overhead Cost**

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

13 **VII. SUPPORTING DATA**

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

17 **VIII OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS**

18 Any offsetting savings the claimant experiences as a direct result  
19 of this statute must be deducted from the costs claimed. In  
20 addition, reimbursement for this mandate received from any  
21 source, e.g., federal, state, etc., shall be identified and deducted  
22 from this claim. This shall include the amount of \$7.50 per full-time  
23 student per semester, \$5.00 per full-time student for summer  
24 school, or \$5.00 per full-time student per quarter, as authorized by  
25 Education Code section 72246(a). This shall also include  
26 payments (fees) received from individuals other than students who  
27 are not covered by Education Code Section 72246 for health  
28 services. ..."

1     **4.     Claiming Instructions**

2             The Controller has frequently revised claiming instructions for the Health Fee  
3 Elimination mandate. A copy of the September 1997 revision of the claiming  
4 instructions is attached as Exhibit "C." The September 1997 claiming instructions are  
5 believed to be, for the purposes and scope of this incorrect reduction claim,  
6 substantially similar to the version extant at the time the claims which are the subject of  
7 this incorrect reduction claim were filed. However, since the Controller's claim forms  
8 and instructions have not been adopted as regulations, they have no force of law, and,  
9 therefore, have no effect on the outcome of this incorrect reduction claim.

10                     **PART V. STATE CONTROLLER CLAIM ADJUDICATION**

11             The Controller conducted an audit of the District's annual reimbursement claims  
12 for Fiscal Years 1999-00, 2000-01, and 2001-02. The audit concluded that 45% of the  
13 District's costs, as claimed, are allowable. A copy of the March 17, 2004-audit report  
14 and is attached as Exhibit "D."

15                     **VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER**

16             By letter dated January 21, 2004, the Controller transmitted a copy of its draft  
17 audit report. By phone call on February 17, 2004, the District stated it would not be  
18 providing a written response to the draft audit report. The Controller then issued its final  
19 audit report without change to the adjustments as stated in the draft audit report.

20 /

21 /



1 Regulatory Requirements

2 No particular indirect cost rate calculation is required by statute. The  
3 parameters and guidelines state that "Indirect costs *may be claimed* in the manner  
4 described by the Controller in his claiming instructions." The District claimed these  
5 indirect costs "in the manner" described by the Controller. The correct forms were used  
6 and the claimed amounts were entered at the correct locations. The Controller asserts  
7 that the specific directions for the indirect cost rate calculation in the claiming  
8 instructions are an extension of the parameters and guidelines. It is not clear what the  
9 legal significance of the concept of "extension" might be, regardless, the reference to  
10 the claiming instructions in the parameters and guidelines does not change "may" into a  
11 "shall." Since the Controller's claiming instructions were never adopted as law, or  
12 regulations pursuant to the Administrative Procedure Act, the claiming instructions are  
13 merely a statement of the ministerial interests of the Controller and not law.

14 CCFS-311

15 In fact, both the District's method and the Controller's FAM-29C method utilize the  
16 same source document, the CCFS-311 annual financial and budget report required by  
17 the state. The difference in the claimed and audited methods is the determination of  
18 which of those cost elements are direct costs and which are indirect costs. Indeed,  
19 federally "approved" rates which the Controller will accept without further action, are  
20 "negotiated" rates calculated by the District and submitted for approval, indicating that  
21 the process is not an exact science, but a determination of the relevance and

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 reasonableness of the costs allocation assumptions made for the method used.

2 Unreasonable or Excessive

3 Government Code Section 17561(d)(2) requires the Controller to pay claims,  
4 provided that the Controller may audit the records of any school district to verify the  
5 actual amount of the mandated costs, and may reduce any claim that the Controller  
6 determines is excessive or unreasonable. The Controller is authorized to reduce a  
7 claim only if it determines the claim to be excessive or unreasonable. Here, the District  
8 has computed its indirect cost rate utilizing cost accounting principles from the Office of  
9 Management and Budget Circular A-21, and the Controller has disallowed it without a  
10 determination of whether the product of the District's calculation would, or would not, be  
11 excessive, unreasonable, or inconsistent with cost accounting principles. The OMB  
12 A-21 cost accounting methods are not the intellectual property of the federal  
13 government and can be competently utilized by claimants to generate a reasonable  
14 indirect cost rate without the need for federal approval.

15 Neither state law nor the parameters and guidelines made compliance with the  
16 Controller's claiming instructions a condition of reimbursement. The District has  
17 followed the parameters and guidelines. The burden of proof is on the Controller to  
18 prove that the District's calculation is unreasonable, not to recalculate the rate  
19 according to its unenforceable ministerial preferences. Therefore, the Controller made  
20 no determination as to whether the method used by the District was unreasonable, but,  
21 merely substituted its FAM-29C method for the method reported by the District. The

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1 substitution of the FAM-29C method is an arbitrary choice of the Controller, not a  
2 “finding” enforceable either by fact or law. The Controller’s adjustment of the District’s  
3 indirect cost rate should be withdrawn, since no legal or factual basis has been shown  
4 to disallow the indirect cost rate calculation used by the District.

5 **Finding 2: Offsetting health fees understated**

6 The Controller adjusted the reported enrollment and number of students subject  
7 to payment of the health services fee which resulted in a total adjustment of \$287,865  
8 for the three fiscal years.

9 Education Code Section 76355

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

18 Parameters and Guidelines

19 This Controller states that the “*Parameters and Guidelines* specifies that any  
20 offsetting savings or reimbursements received must be identified and deducted.” The  
21 parameters and guidelines actually state:

**Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination**

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1           “Any offsetting savings that the claimant experiences as a direct result of  
2           this statute must be deducted from the costs claimed. In addition,  
3           reimbursement for this mandate received from any source, e.g., federal, state,  
4           etc., shall be identified and deducted from this claim. This shall include the  
5           amount of [student fees] as authorized by Education Code Section 72246(a)<sup>2</sup>.”

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

11          Government Code Section 17514

12           Nor can the Controller rely upon Government Code Section 17514 for the  
13          conclusion that to the extent community college districts can charge a fee, they are not  
14          required to incur a cost. Government Code Section 17514, as added by Chapter 1459,  
15          Statutes of 1984, states:

16           “ Costs mandated by the state” means any increased costs which a local  
17          agency or school district is required to incur after July 1, 1980, as a result of any  
18          statute enacted on or after January 1, 1975, or any executive order  
19          implementing any statute enacted on or after January 1, 1975, which mandates  
20          a new program or higher level of service of an existing program within the  
21          meaning of Section 6 of Article XIII B of the California Constitution.”

22          There is nothing in the language of the statute regarding the authority to charge a fee,  
23          any nexus of fee revenue to increased cost, nor any language which describes the

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<sup>2</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 legal effect of fees collected.

2 Government Code Section 17556

3 Nor can the Controller rely upon Government Code Section 17556 for the  
4 conclusion that there are no claimable costs mandated by the State where the  
5 claimants have the authority to collect a service fee. Government Code Section 17556  
6 as last amended by Chapter 589, Statutes of 1989 states:

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

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

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

20 Fees Collected vs. Fees Collectible

21 This issue is one of student health fees revenue actually received, rather than  
22 student health fees which might be collected. Student fees not collected are student  
23 fees not "experienced" and as such should not reduce reimbursement. Further, the

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1 amount "collectible" will never equal actual revenues collected due to changes in  
2 student BOGG eligibility, bad debt accounts, and refunds.

3 Because districts are not required to collect a fee from students for student  
4 health services, and if such a fee is collected, the amount is to be determined by the  
5 District and not the Controller, the Controller's adjustment is without legal basis. What  
6 claimants are required by the parameters and guidelines to do is to reduce the amount  
7 of their claimed costs by the amount of student health services fee revenue actually  
8 received, which the District has done for this incorrect reduction claim. Therefore,  
9 student health fees are merely collectible, they are not mandatory, and it is  
10 inappropriate to reduce claim amounts by revenues not received.

11 Enrollment and Exempted Student Statistics

12 It is our understanding that the Controller adjusted the reported total student  
13 enrollment and reported number of exempt students based on data available from the  
14 office of the Chancellor of the Community Colleges. The information obtained from the  
15 Chancellor's office is based on information originally provided to the Chancellor by the  
16 District in the normal course of business. The Controller has not provided any factual  
17 basis why the Chancellor's data, subject to review and revision after the fact for several  
18 years, is preferable to the data reported by the District which was available at the time  
19 the claims were prepared. The Controller does not indicate how and why its  
20 determination of "actual" student counts is any more "actual" than the amount reported  
21 on the claims.

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1 **Amounts Paid By The State**

2 This issue was not an audit finding. The payment received from the state is an  
3 integral part of the reimbursement calculation. The Controller changed the FY 1999-00  
4 and FY 2000-01 claim payment amount received from the state without a finding in the  
5 audit report.

6

	Fiscal Year of Claim		
7 <u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
8 As Claimed	\$0	\$0	\$ 46,709
9 As Audited	\$83,464	\$19,270	\$ 46,709

10 The propriety of these adjustments cannot be determined until the Controller states the  
11 reason for the change.

12 **Statute of Limitations for Audit**

13 This issue is not a finding of the Controller. The District asserts that the FY  
14 1999-00 and FY 2000-01 claims are beyond the statute of limitations for audit when  
15 the Controller issued its audit report on March 17, 2004.

16 Chronology of Claim Action Dates

17

18 January 10, 2001	FY 1999-00 claim filed by the District
19 December 20, 2001	FY 2000-01 claim filed by the District
20 December 31, 2003	FY 1999-00 and FY 2000-01 statute of limitations for audit expires
21 March 17, 2004	Controller's final audit report issued

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1           The District's FY 1999-00 claim was mailed to the Controller on January 10,  
2           2001. The District's FY 2000-01 claim was mailed to the Controller on December 20,  
3           2001. According to Government Code Section 17558.5 these claims are subject to  
4           audit no later than December 31, 2003. The Audit report was issued March 17, 2004.  
5           Therefore the audit adjustments for FY 1999-00 and FY 2000-01 are barred by the  
6           statue of limitations.

7           Statutory History

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

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

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

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

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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

7           The FY 1999-00 and FY 2000-01 annual claims are subject to the two-year statute of  
8           limitations established by Chapter 945, Statutes of 1995. Since funds were  
9           appropriated for the program for all the fiscal years which are the subject of the audit,  
10          the alternative measurement date is not applicable, and the potential factual issue of  
11          when the audit is initiated is not relevant. The FY 1999-00 and FY 2000-01 claims  
12          were no longer subject to audit when the audit report was issued on March 17, 2004.

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

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

23          The FY 2001-2002 claim is subject to this amended version of Section 17558.5,  
24          and was still subject to audit at the time the audit report was released. The amendment  
25          is pertinent since it indicates this is the first time that the factual issues of the date the  
26          audit is “initiated” for mandate programs for which funds are appropriated is introduced.  
27          This also means that at the time the claim is filed, it is impossible for the claimant to

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1 know when the statute of limitations will expire, which is contrary to the purpose of a  
2 statute of limitations.

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

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

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

18 Clearly, the Controller did not complete the audit of FY 1999-00 and FY 2000-01  
19 within the statutory time period allowed. The audit findings and reductions are therefore  
20 void for those two years.

21 PART VIII. RELIEF REQUESTED

22 The District filed its annual reimbursement claims within the time limits  
23 prescribed by the Government Code. The amounts claimed by the District for  
24 reimbursement of the costs of implementing the program imposed by Chapter 1,  
25 Statutes of 1984, 2nd E.S., Chapter 1118, Statutes of 1987, and Education Code

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

1 Section 76355 represent the actual costs incurred by the District to carry out this  
2 program. These costs were properly claimed pursuant to the Commission's parameters  
3 and guidelines. Reimbursement of these costs is required under Article XIIB, Section  
4 6 of the California Constitution. The Controller denied reimbursement without any  
5 basis in law or fact. The District has met its burden of going forward on this claim by  
6 complying with the requirements of Section 1185, Title 2, California Code of  
7 Regulations. Because the Controller has enforced and is seeking to enforce these  
8 adjustments without benefit of statute or regulation, the burden of proof is now upon the  
9 Controller to establish a legal basis for its actions.

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

14 /

15 /

16 /

17 /

18 /

19 /

20 /

21 /

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1

PART IX. CERTIFICATION

2

By my signature below, I hereby declare, under penalty of perjury under the laws

3

of the State of California, that the information in this incorrect reduction claim

4

submission is true and complete to the best of my own knowledge or information or

5

belief, and that the attached documents are true and correct copies of documents

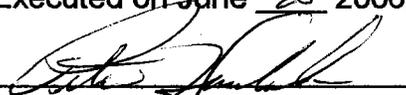
6

received from or sent by the state agency which originated the document.

7

Executed on June 28 2006, at Pasadena, California, by

8

  
\_\_\_\_\_

9

Peter Hardash, Vice-President Administrative Services

10

Pasadena Area Community College District

11

1570 East Colorado Blvd.

12

Pasadena, CA 91106-2003

13

Voice: 626-585-7258

14

Fax: 626-585-7968

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E-Mail: pjhardash@pasadena.edu

16

APPOINTMENT OF REPRESENTATIVE

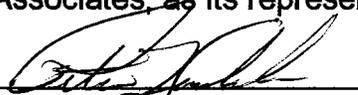
17

Pasadena Area Community College District appoints Keith B. Petersen, SixTen

18

and Associates, as its representative for this incorrect reduction claim.

19

  
\_\_\_\_\_

20

Peter Hardash, Vice-President

\_\_\_\_\_ 6/28/06

21

Pasadena Area Community College District

22

Attachments:

23

Exhibit "A" SCO Legal Counsel's Letter of June 15, 2004

24

Exhibit "B" Parameters and Guidelines as amended May 25, 1989

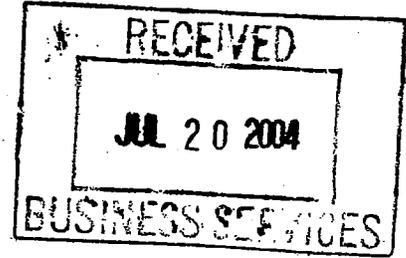
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Exhibit "C" Controller's Claiming Instructions September 1997

26

Exhibit "D" SCO Audit Report date March 17, 2004

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.

0350d

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.

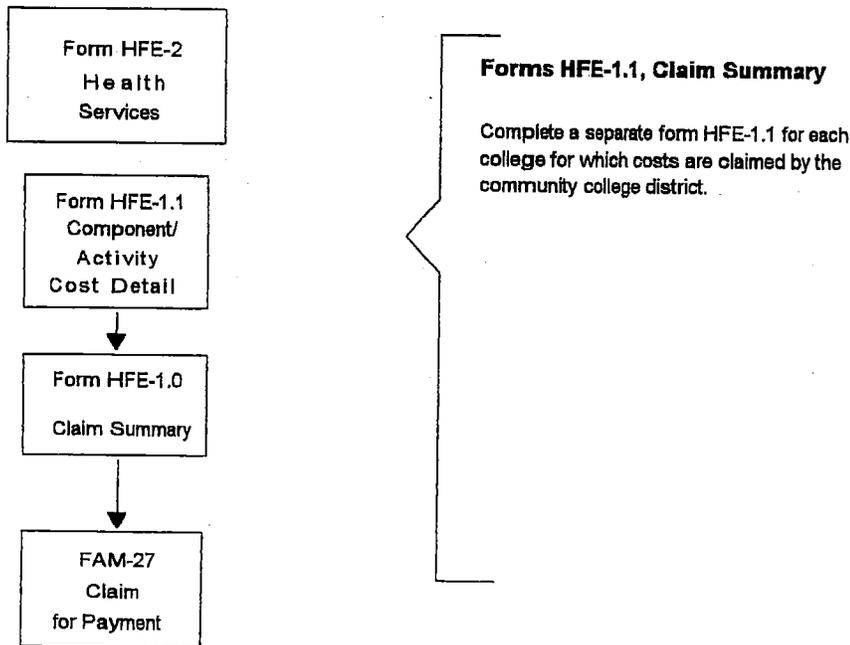
**C. Form HFE-1.0, Claim Summary**

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**



<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>
--	---	-----------------------

I 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	(24)	
	Suite	(25)	
	City State Zip Code		

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) 20__/20__	(12) 20__/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 to Claimant</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

<b>MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY</b>		<b>FORM HFE-1.0</b>
(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><b>HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions</b></p>	<p><b>FORM HFE-1.0</b></p>
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- (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>
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(01) Claimant	(02) Type of Claim	Fiscal Year
	Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	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</b> <b>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
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 EKG Strep A testing PG Testing Monospot Hemacult Others, list  Miscellaneous Absence Excuses/PE Waiver Allergy Injections Band-aids Booklets/Pamphlets Dressing Change Rest Suture Removal Temperature Weigh Information Report/Form Wart Removal Others, list  Committees Safety Environmental Disaster Planning			

**Exhibit D**

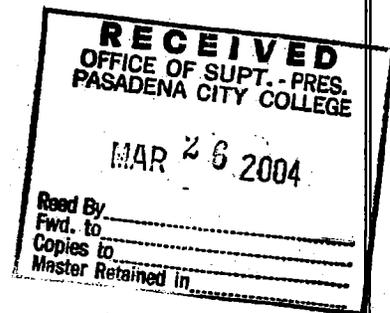
# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

March 2004



**STEVE WESTLY**  
*California State Controller*

March 17, 2004

James P. Kossler, Ed.D.  
Superintendent/President  
Pasadena Area Community College District  
1570 East Colorado Boulevard  
Pasadena, CA 91106

Dear Dr. Kossler:

The State Controller's Office has completed an audit of the claims filed by Pasadena Area 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 \$678,460 for the mandated program. Our audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred because the district claimed unsupported costs and understated claimed revenue offsets. The district was paid \$149,443. Allowable costs claimed in excess of the amount paid total \$153,076.

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:jj

cc: (See page 2)

cc: Peter Hardash, Vice President  
Administrative Services  
Pasadena Area Community College District  
Odessa Walker, Director  
Fiscal Services  
Pasadena Area Community College District  
Ed Monroe, Program Assistant  
Fiscal Accountability Section  
Chancellor's Office  
California Community Colleges  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Pasadena Area 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 last day of fieldwork was November 21, 2003.

The district claimed \$678,460 for the mandated program. The audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred because the district claimed unsupported costs and understated claimed revenue offsets. The district was paid \$149,443. Allowable costs claimed in excess of the amount paid total \$153,076.

## Background

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session (E.S.) repealed *Education Code* Section 72246, which had 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, which would reinstate the community college district's 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 FY 1986-87 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 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, the COSM determined that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to apply to all community college districts that provided health services in FY 1986-87 and required them to maintain that level in FY 1987-88 and each fiscal year thereafter.

*Parameters and Guidelines*, adopted by the COSM, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

## Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated 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.

The auditor 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.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

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

## Conclusion

The 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, the Pasadena Area Community College District claimed \$678,460 for costs of the legislatively mandated Health Fee Elimination Program. The audit disclosed that \$302,519 is allowable and \$375,941 is unallowable.

For FY 1999-2000, the district was paid \$83,464 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$83,464, should be returned to the State.

For FY 2000-01, the district was paid \$19,270 by the State. The audit disclosed that \$167,868 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$148,598, will be paid by the State based on available appropriations.

For FY 2001-02, the district was paid \$46,709 by the State. The audit disclosed that \$134,651 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$87,942, will be paid by the State based on available appropriations.

**Views of  
Responsible  
Officials**

The SCO issued a draft audit report on January 21, 2004. The SCO auditor contacted Odessa Walker, Director, Fiscal Services, on February 17, 2004, for a response to the draft report. Ms. Walker stated that the district accepts the report and will not be providing a written response.

**Restricted Use**

This report is solely for the information and use of the Pasadena Area Community College District, 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>
<u>July 1, 1999, through June 30, 2000</u>				
Health services costs	\$ 545,579	\$ 545,579	\$ —	
Less cost of services in excess of FY 1986-87 services	(140,275)	(140,275)	—	
Subtotals	405,304	405,304	—	
Less authorized health fees	(321,840)	(474,501)	(152,661)	Finding 2
Subtotals	83,464	(69,197)	(152,661)	
Adjustment for authorized fees exceeding health services costs	—	69,197	69,197	
Total costs	<u>\$ 83,464</u>	—	<u>\$ (83,464)</u>	
Less amount paid by the State		(83,464)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (83,464)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Health services costs	\$ 711,352	\$ 635,868	\$ (75,484)	Finding 1
Less cost of services in excess of FY 1986-87 services	—	—	—	
Subtotals	711,352	635,868	(75,484)	
Less authorized health fees	(435,934)	(468,000)	(32,066)	Finding 2
Subtotals	275,418	167,868	(107,550)	
Adjustment for authorized fees exceeding health services costs	—	—	—	
Total costs	<u>\$ 275,418</u>	167,868	<u>\$ (107,550)</u>	
Less amount paid by the State		(19,270)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 148,598</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Health services costs	\$ 750,555	\$ 668,766	\$ (81,789)	Finding 1
Less cost of services in excess of FY 1986-87 services	—	—	—	
Subtotals	750,555	668,766	(81,789)	
Less authorized health fees	(430,977)	(534,115)	(103,138)	Finding 2
Subtotals	319,578	134,651	(184,927)	
Adjustment for authorized fees exceeding health services costs	—	—	—	
Total costs	<u>\$ 319,578</u>	134,651	<u>\$ (184,927)</u>	
Less amount paid by the State		(46,709)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 87,942</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Health services costs	\$ 2,007,486	\$ 1,850,213	\$ (157,273)	Finding 1
Less cost of services in excess of FY 1986-87 services	<u>(140,275)</u>	<u>(140,275)</u>	<u>—</u>	
Subtotals	1,867,211	1,709,938	(157,273)	
Less authorized health fees	<u>(1,188,751)</u>	<u>(1,476,616)</u>	<u>(287,865)</u>	Finding 2
Subtotals	678,460	233,322	(445,138)	
Adjustment for authorized fees exceeding health services costs	<u>—</u>	<u>69,197</u>	<u>69,197</u>	
Total costs	<u>\$ 678,460</u>	<u>302,519</u>	<u>\$ (375,941)</u>	
Less amount paid by the State		<u>(149,443)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 153,076</u>		

See the Findings and Recommendations section.

## Findings and Recommendations

### FINDING 1— Overstated indirect costs claimed

For FY 2000-01 and FY 2001-02, the district overclaimed indirect costs by \$157,273. The district claimed indirect costs based on indirect cost rates of 47.3% for FY 2000-01 and 47.8% for FY 2001-02. However, for those years the district had a federally approved indirect cost rate of 30%. Consequently, the district overstated the indirect costs rate by 17.3% for FY 2000-01 and 17.8% for FY 2001-02. The district correctly claimed indirect costs in FY 1999-2000 using the 30% federally approved indirect cost rate.

A summary of the adjustment to indirect costs is as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Audit adjustment	\$ (75,484)	\$ (81,789)	\$ (157,273)

*Parameters and Guidelines* states that indirect costs may be claimed in the manner described by the State Controller in the claiming instructions.

The SCO's claiming instructions state that community colleges have the option of using a federally approved rate prepared in accordance with OMB Circular A-21 or the alternate methodology using Form FAM-29C. The district did not calculate the indirect cost rate under the SCO's alternative methodology using Form FAM-29C.

#### Recommendation

The district should ensure that indirect costs claimed are computed using a federally approved rate prepared in accordance with OMB Circular A-21, or the SCO's alternate methodology using Form FAM-29C.

### FINDING 2— Offsetting health fees understated

The district understated health fees credited against the costs of health services by \$287,865 for the audit period.

The district was unable to locate the student attendance data used to calculate the health fee revenues reported in the reimbursement claims for the audit period. As a result, the auditors used the district's GLD144-02 printouts to identify offsetting health fees for each year. The understated offsetting health fees are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Offsetting health fees per audit	\$ (474,501)	\$ (468,000)	\$ (534,115)	\$ (1,476,616)
Less health fees claimed	321,840	435,934	430,977	1,188,751
Audit adjustment	\$ (152,661)	\$ (32,066)	\$ (103,138)	\$ (287,865)

*Parameters and Guidelines* specifies that any offsetting savings or reimbursements received by the district from any source as a result of the mandate must be identified and deducted so that only net district health services costs are claimed.

Recommendation

The district should ensure that all applicable fees are offset on its claims against the mandated program costs.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

C03-MCC-010





STEVE WELLY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 1999/2000 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		83,464.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	83,464.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-83,464.00
AMOUNT DUE STATE	\$	<u>83,464.00</u>

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 83,464.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:			
FIELD AUDIT FINDINGS	-	83,464.00	-
TOTAL ADJUSTMENTS			83,464.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA10501A			
PAID 08-01-2001		-57,365.00	
SCHEDULE NO. MA90516E			
PAID 03-09-2000		-26,099.00	
TOTAL PRIOR PAYMENTS			-83,464.00

SINCERELY,

*Ginny Brummels*  
GINNY BRUMMELS, MANAGER

60

RECEIVED

JUL 23 2004

OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

LOCAL REIMBURSEMENT SECTION

BOX 942850 SACRAMENTO, CA 94250-5875



STEVE W. JTLY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 2000/2001 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 275,418.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 107,550.00

TOTAL ADJUSTMENTS - 107,550.00

*WAS PAID.*

LESS PRIOR PAYMENT: SCHEDULE NO. MA00514E PAID 03-08-2001 19,270.00

AMOUNT DUE CLAIMANT \$ 148,598.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875. DUE TO INSUFFICIENT APPROPRIATION, THE BALANCE DUE WILL BE FORTHCOMING WHEN ADDITIONAL FUNDS ARE MADE AVAILABLE.

RECEIVED

JUL 23 2004

OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

SINCERELY,

*Ginny Brummels*  
GINNY BRUMMELS, MANAGER 61

LOCAL REIMBURSEMENT SECTION



STEVE WELLY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 2001/2002 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 319,578.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 184,927.00

TOTAL ADJUSTMENTS - 184,927.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA11392E 46,709.00  
PAID 03-06-2002

AMOUNT DUE CLAIMANT \$ 87,942.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875. DUE TO INSUFFICIENT APPROPRIATION, THE BALANCE DUE WILL BE FORTHCOMING WHEN ADDITIONAL FUNDS ARE MADE AVAILABLE.

RECEIVED

JUL 23 2004

OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

SINCERELY,

*Ginny Brummels*

GINNY BRUMMELS, MANAGER 62

LOCAL REIMBURSEMENT SECTION

**Annual Reimbursement Claims**

**CLAIM FOR PAYMENT**  
**Pursuant to Government Code Section 17561**  
**HEALTH FEE ELIMINATION**

**For State Controller Use Only**

(19) Program Number 00029  
 (20) Date Filed \_\_\_/\_\_\_/\_\_\_  
 (21) LRS Input \_\_\_\_\_

(01) Claimant Identification Number <b>S19335</b>		<b>Reimbursement Claim</b>	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>83,464</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106-2003</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost <b>2000-2001</b>	(06)	(12) <b>1999-2000</b>	(31)
Total Claimed Amount <b>\$66,771</b>	(07)	(13) <b>\$83,464</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)	(14)		(33)
LESS: Estimated Claim Payment Received	(15)		(34)
Net Claimed Amount	(16)	<b>\$83,464</b>	(35)
Due from State <b>\$66,771</b>	(08)	(17) <b>\$83,464</b>	(36)
Due to State	(18)		(37)

**(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, Stat and certify under the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987

The amount for estimated and/or reimbursement claims are 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

Date

*Dr. Robert Matthews*

January 10, 2001

**Dr. Robert Matthews**

**Interim V. P., Administrative Services**

Print or type name

Title

**Vavrinek, Trine, Day & Co. LLP**

**(916) 944-7394**

(39) Name of Contact Person for Claim

Telephone Number

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area CCD	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 1999-2000
----------------------------------	---	--------------------------

(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. Pasadena City College	\$83,464
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
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11.	
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18.	
19.	
20.	
21.	
(04) Total Amount Claimed	\$83,464

[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD	(2) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year  1999-2000
----------------------------------	--	------------------------------

(3) Name of College Pasadena City 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	\$419,676	\$125,903	\$545,579
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87	\$133,092	\$7,183	\$140,275
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	\$286,584	\$118,720	\$405,304

(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	4,246	4,446	\$11.00	\$46,706	\$11.00	\$48,906	\$95,612
2. Per spring semester	4,132	9,624	\$11.00	\$45,452	\$11.00	\$105,864	\$151,316
3. Per summer session	4,868	4,496	\$8.00	\$38,944	\$8.00	\$35,968	\$74,912
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected	[Line (8.1g) + .....(8.6g)]		\$321,840
(10) Sub-total	[Line (07) - line (09)]		\$83,464

**Cost Reduction**

(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		
(13) Total Amount Claimed	[Line (10) - {(line (11) + line (12))}]	
		\$83,464

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD (02) Fiscal Year Costs Were Incurred 1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
Accident Reports	X	X
Appointments		
College Physician, surgeon	X	X
Dermatology, Family practice	X	X
Internal Medicine	X	X
Outside Physician		
Dental Services		
Outside Labs, (X-ray, etc.,)	X	X
Psychologist, full service	X	X
Cancel/Change Appointment		
Registered Nurse	X	X
Check Appointments		
Assessment, Intervention and Counseling		
Birth Control	X	X
Lab Reports	X	X
Nutrition	X	X
Test Results, office	X	X
Venereal Disease	X	X
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
Neralgic	X	X
Orthopedic	X	X
Genito/Urinary		
Dental		
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		
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, Infomation		
Sexually Transmitted Disease	X	X
Drugs	X	X
Acquired Immune Deficiency Syndrome	X	X
Child Abuse	X	X

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD

(02) Fiscal Year Costs Were Incurred

1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

Birth Control/Family Planning	x	x
Stop Smoking	x	x
Library, Videos and Cassettes		
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	x	x
Influenza	x	x
Infomation	x	x
Insurance		
On Campus Accident	x	x
Voluntary	x	x
Insurance Inquiry/Claim Administration		
Laboratory Tests Done		
Inquiry/Interpretation	x	x
Pap Smears	x	x
Physical Examinations		
Employees	x	x
Students		
Athletes		
Medications		
Anatacids	x	x
Antidiarrheal	x	x
Aspirin, Tylenol, etc.,	x	x
Skin Rash Preparations	x	x
Eye Drops	x	x
Ear Drops	x	x
Toothache, oil cloves		
Stingkill		
Midol, Menstrual Cramps		
Other, list - Antihistamines, Decongestants, etc.	x	x
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key		
Parking Inquiry		
Elevator Passes		
Temporary Handicapped Parking Permits		

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD

(02) Fiscal Year Costs Were Incurred

1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

**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

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Tests**

- Blood Pressure
- Hearing
- Tuberculosis
- Reading
- Information
- Vision
- Glucometer
- Urinalysis
- Hemoglobin
- EKG
- Strep A Testing
- PG Testing
- Monospot
- Hemacult
- Others, list

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Miscellaneous**

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

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Committees**

- Safety
- Environmental
- Disaster Planning
- Skin Rash Preparations
- Eye Drops

X	X
X	X
X	X
X	X
X	X

**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
HEALTH FEE ELIMINATION**

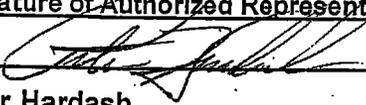
**For State Controller Use Only**

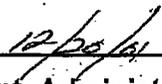
(19) Program Number 00029  
(20) Date Filed \_\_\_/\_\_\_/\_\_\_  
(21) LRS Input \_\_\_\_\_

(01) Claimant Identification Number <b>S19335</b>		<b>Reimbursement Claim</b>	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>275,418</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost <b>2001-2002</b>	(06)	(12) <b>2000-2001</b>	(31)
Total Claimed Amount <b>\$200,000</b>	(07)	(13) <b>\$275,418</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)	(14)	(33)	
LESS: Estimated Claim Payment Received	(15)	(34)	
Net Claimed Amount	(16)	(35) <b>\$275,418</b>	
Due from State <b>\$200,000</b>	(08)	(17) <b>\$275,418</b>	(36)
Due to State	(18)	(37)	

**(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 the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive. I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987. The amount for estimated and/or reimbursement claims are 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  
  
**Peter Hardash**  
Print or type name  
**James L. Robbins (MAXIMUS)**  
(39) Name of Contact Person for Claim

Date  
  
**Vice President, Administrative Services**  
Title  
**(949) 440-0845, Ext. 103**  
Telephone Number

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area GCD

**FIRM**

(02) Type of Claim

Reimbursement

Estimated

Fiscal Year

2000-2001

(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. Pasadena Area Community College District	\$275,418
2.	
3.	
4.	
5.	
6.	
7.	
8.	
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10.	
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15.	
16.	
17.	
18.	
19.	
20.	
21.	
<b>Total Amount Claimed</b>	<b>\$275,418</b>

[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD	(2) Type of Claim Reimbursement <input checked="" type="checkbox"/> X Estimated <input type="checkbox"/>	Fiscal Year  2000-2001
----------------------------------	--	------------------------------

(3) 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  X      MORE

	Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim	\$504,970	\$206,382	\$711,352
(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)]	\$504,970	\$206,382	\$711,352

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	7,385	8,756	\$11.00	\$81,235	\$11.00	\$96,316	\$177,551
2. Per spring semester	7,372	8,945	\$11.00	\$81,092	\$11.00	\$98,395	\$179,487
3. Per summer session	654	9,208	\$8.00	\$5,232	\$8.00	\$73,664	\$78,896
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected [Line (8.1g) + .....(8.6g)]							\$435,934
(10) Sub-total [Line (07) - line (09)]							\$275,418
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							
(12) Less: Other Reimbursements, if applicable							
Total Amount Claimed [Line (10) - {(line (11) + line (12))}]							\$275,418



**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2000-2001

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

Birth Control/Family Planning	X	X
Stop Smoking	X	X
Library, Videos and Cassettes		
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	X	X
Influenza	X	X
Infomation	X	X
Insurance		
On Campus Accident	X	X
Voluntary	X	X
Insurance Inquiry/Claim Administration		
Laboratory Tests Done		
Inquiry/Interpretation	X	X
Pap Smears	X	X
Physical Examinations		
Employees	X	X
Students		
Athletes		
Medications		
Anatacids	X	X
Antidiarrheal	X	X
Aspirin, Tylenol, etc.,	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X
Ear Drops	X	X
Toothache, oil cloves		
Stingkill		
Midol, Menstrual Cramps	X	X
Other, list		
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key		
Parking Inquiry		
Elevator Passes		
Temporary Handicapped Parking Permits		

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2000-2001

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

**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

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

**Tests**

Blood Pressure

Hearing

Tuberculosis

    Reading

    Information

Vision

Glucometer

Urinalysis

Hemoglobin

EKG

Strep A Testing

PG Testing

Monospot

Hemacult

Others, list

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

**Miscellaneous**

Absence Excuses/PE Waiver

Allergy Injections

Band-aids

Booklets/Pamphlets

Dressing Change

Rest

Suture Removal

Temperature

Weigh

Information

Report/Form

Wart Removal

Others, list

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

X

**Committees**

Safety

Environmental

Disaster Planning

Skin Rash Preparations

Eye Drops

X

X

X

X

X

X

X

X

X

X

**CLAIM FOR PAYMENT**  
**Pursuant to Government Code Section 17561**  
**HEALTH FEE ELIMINATION**

*For State Controller Use Only*

(19) Program Number 00029  
 (20) Date Filed \_\_\_/\_\_\_/\_\_\_  
 (21) LRS Input \_\_\_\_\_

(01) Claimant Identification Number <b>S19335</b>		<b>Reimbursement Claim</b>	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>319,578</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106</b>	(26)
Type of Claim	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost	(06) <b>2002-2003</b>	(12) <b>2001-2002</b>	(31)
Total Claimed Amount	(07) <b>\$200,000</b>	(13) <b>\$319,578</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(33)
LESS: Estimated Claim Payment Received		(15) <b>\$46,709</b>	(34)
Net Claimed Amount		(16) <b>\$272,869</b>	(35)
Due from State	(08) <b>\$200,000</b>	(17) <b>\$272,869</b>	(36)
Due to State		(18)	(37)

**(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, Stat and certify under the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987

The amount for estimated and/or reimbursement claims are 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

Date

*Peter Hardash*

*1/10/03*

Peter Hardash

Vice President, Administrative Services

Print or type name

Title

James L. Robbins (MAXIMUS)

(949) 440-0845, Ext. 103

(39) Name of Contact Person for Claim

Telephone Number

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area CCD

(02) Type of Claim

Fiscal Year

Reimbursement

Estimated

2001-2002

(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.	Pasadena Area Community College District	\$319,578
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
(4) Total Amount Claimed	[Line (3.1b) + lline (3.2b) + lline (3.3b) + ...lline (3.21b)]	\$319,578

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD

(2) Type of Claim

Fiscal Year

Reimbursement

Estimated

2001-2002

(3) 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	\$530,918	\$219,637	\$750,555
(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)]	\$530,918	\$219,637	\$750,555

(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	7,814	9,742	\$11.00	\$85,954	\$11.00	\$107,162	\$193,116
2. Per spring semester	7,779	7,148	\$11.00	\$85,569	\$11.00	\$78,628	\$164,197
3. Per summer session	654	8,554	\$8.00	\$5,232	\$8.00	\$68,432	\$73,664
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected	[Line (8.1g) + .....(8.6g)]	
(10) Sub-total	[Line (07) - line (09)]	\$430,977
Cost Reduction		\$319,578
(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		
Total Amount Claimed	[Line (10) - (line (11) + line (12))]	\$319,578

Revised 9/97

Chapter 1/84 and 1118/87

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD

(02) Fiscal Year Costs Were Incurred:

2001-2002

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(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 service
- Cancel/Change Appointment
- Registered Nurse
- Check Appointments

X

X

X

X

X

X

X

X

X

X

X

X

**Assessment, Intervention and Counseling**

- Birth Control
- Lab Reports
- Nutrition
- Test Results, office
- Venereal Disease
- Communicable Disease
- Upper Respiratory Infection
- Eyes, Nose and Throat
- Eve/Vision
- Dermatology/Allergy
- Gynecology/Pregnancy Service
- Neralgic
- 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

X

X

X

X

X

X

X

X

X

X

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X

**Examinations, minor illnesses**

- Recheck Minor Injury

X

X

**Health Talks or Fairs, Infomation**

- Sexually Transmitted Disease
- Drugs
- Acquired Immune Deficiency Syndrome
- Child Abuse

X

X

X

X

X

X

X

X

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2001-2002

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

Birth Control/Family Planning	X	X
Stop Smoking	X	X
Library, Videos and Cassettes		
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	X	X
Influenza	X	X
Infomation	X	X
Insurance		
On Campus Accident	X	X
Voluntary	X	X
Insurance Inquiry/Claim Administration		
Laboratory Tests Done		
Inquiry/Interpretation	X	X
Pap Smears	X	X
Physical Examinations		
Employees	X	X
Students		
Athletes		
Medications		
Anatacids	X	X
Antidiarrheal	X	X
Aspirin, Tylenol, etc.,	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X
Ear Drops	X	X
Toothache, oil cloves	X	X
Stingkill		
Midol, Menstrual Cramps	X	X
Other, list		
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key		
Parking Inquiry		
Elevator Passes		
Temporary Handicapped Parking Permits		



Exhibit B

JOHN CHIANG  
California State Controller

RECEIVED

December 31, 2007

JAN 07 2008

COMMISSION ON  
STATE MANDATES

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

Peter Hardash  
Vice-President, Administrative Services  
Pasadena Area Community College District  
1570 East Colorado Boulevard  
Pasadena, CA 91106-2003

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

Re: **Incorrect Reduction Claim**  
*Health Fee Elimination Program*  
CSM 06-4206-I-13  
Pasadena Area Community College District, Claimant  
Statutes 1984, 2<sup>nd</sup> Extraordinary Session, Chapter 1, and  
Statutes 1987, Chapter 1118  
Fiscal Years 1999-2000, 2000-2001, and 2001-2002

Dear Ms. Higashi, and Messrs. Hardash & Petersen:

This letter constitutes the response of the Controller's Office to the Incorrect Reduction Claim of Pasadena Area Community College District. Enclosed are the required copies of supporting documentation along with the Division of Audits' response to the Incorrect Reduction Claim (See Tab 2). A proof of service is also included as required by regulation.

An audit performed by the State Controller's Office disclosed that \$375,941 of the District's \$678,460 in claimed costs of the legislatively mandated Health Fee Elimination Program for fiscal years 1999-2000, 2000-2001 and 2001-2002 were not allowable.

Under the program, the District can claim reimbursement for the costs of providing certain health care services, but only for services it provided in the 1986-1987 fiscal year.

First, the District overstated its indirect costs rates, resulting in overstating its indirect costs by \$157,273. The program's amended (and original) Parameters and Guidelines required a district that elects to claim indirect costs to use the Controller's claiming instructions to determine those costs. During the fiscal years in question, the District had, in accordance with the Controller's claiming instructions, a federally approved indirect cost rate of 30%. However, the District did not use the 30% rate. The District ignored the Controller's claiming instructions and used an indirect cost rate prepared by an outside consultant that resulted in excessive claims for indirect costs. The District had no authority to use this faulty methodology, which resulted in indirect claim rates being overstated by 17.3% for fiscal year 2000-2001 and 17.8% for fiscal year 2001-2002. Under Government Code section 17561, subdivision (d)(2), the Controller may reduce any claim determined to be excessive or unreasonable. An amount that exceeds what is "usual, proper, or normal" is excessive and "implies an amount or degree too great to be reasonable or acceptable." (Merriam-Webster's Collegiate Dictionary, Tenth Edition, © 2001.) Thus, the District's claimed rates and indirect costs were excessive.

Second, the District understated the health fees credited against health services by \$287,865 for the audit period. Despite the District's clearly erroneous belief that the finding was based on "authorized fees," the finding was based on the health service fee revenues actually collected by the District during the audit period. The District incorrectly reported the amount of revenues received.

The District failed to provide the student attendance data it used to determine the health fee revenues reported in its reimbursement claims. Nevertheless, based on the District's GLD 144-02 printouts provided by the District, the auditors identified the health fees collected for each of the fiscal years in question.

Although the fee authority was not considered in this audit, it has been considered in subsequent audits. As discussed in Tab 2, the extent to which districts have authority to charge a fee, regardless of whether it is actually collected, they do not incur a cost.

"Costs mandated by the state" means costs that the District is required to incur. (Gov. Code § 17514.) The District is not required to incur costs if it has a source of funding through its the authority to levy a charge or fee. Consequently, costs are not state-mandated, and therefore, not reimbursable, if an agency has authority (right or power) to levy a charge or fee, regardless of whether the charge or fee is actually assessed. (*County of Fresno v. California* (1991) 53 Cal.3d 482; *Connell v. Santa Margarita* (1997) 59 Cal.App.4th 382.)

Moreover, Government Code section 17556, subdivision (d) specifically provides that the Commission cannot find a mandated cost in “any claim” if the District has authority to levy the fees to pay for the mandated program or increased level of service. Therefore, it would appear that the Commission could not approve any claim for a mandated cost that is covered by its authority to levy a charge or fee to pay for the service. As a result, the Commission needs to determine whether the amount of the understated health fee revenues identified in the audit should be increased to reflect the amount of fees the District was authorized to collect as required by Government Code section 17556.

Third, the District apparently has questioned why the audit adjustments were made regarding claim payments issued by the State for fiscal years 1999-2000 and 2000-2001. As clearly stated in the audit report, and reconfirmed in the documentation in Tab 8, the District received two claim payments (\$57,365 issued on 8/1/2001 and \$26,099 issued on 3/9/2001) totaling \$83,464 for fiscal year 1999-2000, and one claim payment of \$19,270 issued on 3/8/2001 for fiscal year 2000-2001. The adjustments were made because of these reimbursement payments the District received.

Finally, the District incorrectly asserts that its claims for fiscal years 1999-2000 and 2000-2001 are beyond the statute of limitations for audit by the Controller because the audit report was not issued until March 2004. The District mistakenly alleges that Government Code section 17558.5, as enacted in 1995,<sup>1</sup> applies in this situation. It stated 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 amended. The District filed the two claims in question in 2001. Thus, both claims were subject to being audited at any time up through the end of December 2003.

Even if the 1995 version of this code section applied, and it does not, the State Controller’s Office initiated the audit in May of 2003, well within the timeframe when the claims were subject to being audited under the statute. There was no requirement, at that time, for the audit to be completed by the end of 2003.

Moreover, Government Code section 17558.5 was subsequently amended while the District’s claims were still subject to audit. The amended Government Code section 17558.5 that was operative in 2003<sup>2</sup> applies to these claims. Under this amended statute, claims are “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.” It is well established that “... any legislative enlargement of the limitations period applies to pending matters not already barred.” (43 Cal Jur 3d, Limitation of Actions, section 8.)

---

<sup>1</sup> Stats. 1995, chapter 945 (Senate Bill 11), section 13, operative July 1, 1996

<sup>2</sup> Stats. 2002, chapter 1128 (Assembly Bill 2834), section 14.5, operative January 1, 2003

December 31, 2007

Page 4

Therefore, the period of time the District's claims were subject to the "initiation" of an audit was extended to 2004. In this case, the Controller's Office initiated the audit, at the latest, when it issued its Audit Notification Letter, dated May 19, 2003, which was well within the statutory time limits. The initiation of the audit might have even been earlier if the auditors orally notified the District of the audit before the letter was sent out.

Since the disallowed claims were either not supported by required source documentation, used unapproved reimbursement formulas that resulted in excessive claims, or understated the health fees it was authorized to collect, the adjustments made by the Division of Audits were appropriate, and the Incorrect Reduction Claim should be rejected. For a more complete discussion, see Tab 2 of the Controller's Office's response.

Sincerely,



RONALD V. PLACET  
Senior Staff Counsel

RVP/ac

Enclosures

cc: Jim Spano, Division of Audits, State Controller's Office (w/o encl.)  
Ginny Brummels, Div. of Acctg. & Rptg., State Controller's Office (w/o encl.)

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  
4 within action. My business address is 300 Capitol Mall, Suite 1850, Sacramento, CA 95814.

5 On January 2, 2008, I served the foregoing document entitled:

6 **SCO'S RESPONSE TO THE INCORRECT REDUCTION CLAIM FOR  
7 PASADENA AREA COMMUNITY COLLEGE DISTRICT, CSM 06-4206-I-13**

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

10 Paula Higashi (*original*)  
11 Executive Director  
12 Commission on State Mandates  
13 980 Ninth Street, Suite 300  
14 Sacramento, CA 95814

Peter Hardash  
Vice-President, Administrative Services  
Pasadena Area Community College District  
1570 East Colorado Boulevard  
Pasadena, CA 91106-2003

16 Keith B. Petersen, President  
17 SixTen and Associates  
18 5252 Balboa Avenue, Suite 807  
19 San Diego, CA 92117

20  **BY MAIL**

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

24  **BY PERSONAL SERVICE**

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

**BY OVERNIGHT MAIL/COURIER**

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.

**BY FACSIMILE TRANSMISSION**

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

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

Executed on January 2, 2008, at Sacramento, California.

  
Amber A. Camarena

**RESPONSE BY THE STATE CONTROLLER’S OFFICE  
TO THE INCORRECT REDUCTION CLAIM BY  
PASADENA AREA COMMUNITY COLLEGE DISTRICT  
Health Fee Elimination Program**

**Table of Contents**

<b><u>Description</u></b>	<b><u>Page</u></b>
<b>SCO Response to District’s Comments</b>	
Declaration.....	Tab 1
State Controller’s Office (SCO) Analysis and Response.....	Tab 2
Excerpt from SCO Claiming Instructions, Section 5B, Indirect Costs (September 2002).....	Tab 3
Health Fee Elimination Claiming Instructions (updated September 1997).....	Tab 4
Documentation Supporting Health Fee Revenues Collected .....	Tab 5
Commission on State Mandates Staff Analysis, Proposed Parameters and Guidelines (May 1989).....	Tab 6
Commission on State Mandates Meeting Minutes (May 1989).....	Tab 7
SCO Payment Reports—FY 1999-2000 and FY 2000-01 .....	Tab 8
SCO Audit Notification Letter (May 19, 2003) .....	Tab 9
<b>Attachment – District’s Comments</b>	
Incorrect Reduction Claim (July 3, 2006)	
SCO Letter (July 15, 2004).....	Exhibit A
Parameters and Guidelines (amended May 25, 1989) .....	Exhibit B
SCO Claiming Instructions (updated September 1997).....	Exhibit C
SCO Final Audit Report (March 17, 2004).....	Exhibit D
District’s Reimbursement Claims –FY 2001-02 and FY 2002-03 .....	Exhibit E

# **Tab 1**

1 **OFFICE OF THE STATE CONTROLLER**

300 Capitol Mall, Suite 1850

2 Sacramento, CA 94250

3 Telephone No.: (916) 445-6854

4 **BEFORE THE**

5 **COMMISSION ON STATE MANDATES**

6 **STATE OF CALIFORNIA**

9  
10 **INCORRECT REDUCTION CLAIM ON:**

11 *Health Fee Elimination Program*

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

14 **PASADENA AREA COMMUNITY  
COLLEGE DISTRICT, Claimant**

No.: CSM 06-4206-I-13

**AFFIDAVIT OF BUREAU CHIEF**

15  
16 I, Jim L. Spano, make the following declarations:

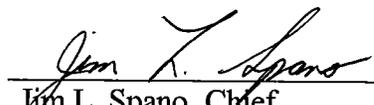
- 17 1) I am an employee of the State Controller's Office (SCO) and am over the age of 18  
18 years.
- 19 2) I am currently employed as a bureau chief, and have been so since April 21, 2000.  
Before that, I was employed as an audit manager for two years and three months.
- 20 3) I am a California Certified Public Accountant.
- 21 4) I reviewed the work performed by the SCO auditor.
- 22 5) Any attached copies of records are true copies of records, as provided by the Pasadena  
23 Area Community College District or retained at our place of business.
- 24 6) The records include claims for reimbursement, along with any attached supporting  
25 documentation, explanatory letters, or other documents relating to the above-entitled  
Incorrect Reduction Claim.

1 7) A field audit of the claims for fiscal year (FY) 1999-2000, FY 2000-01, and FY 2001-02  
2 commenced on May 21, 2003, and ended on November 21, 2003.

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

6 Date: October 9, 2007

7 OFFICE OF THE STATE CONTROLLER

8  
9 By: 

10 Jim L. Spano, Chief  
11 Mandated Cost Audits Bureau  
12 Division of Audits  
13 State Controller's Office  
14  
15  
16  
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25

# Tab 2

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE  
TO THE INCORRECT REDUCTION CLAIM BY  
PASADENA 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 Pasadena Area Community College District submitted on July 3, 2006. 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 March 17, 2004 (**Exhibit D**).

The district submitted reimbursement claims totaling \$678,460 as follows.

- FY 1999-00—\$ 83,464 (**Exhibit E**)
- FY 2000-01—\$275,418 (**Exhibit E**)
- FY 2001-02—\$319,578 (**Exhibit E**)

The SCO audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred primarily because the district overstated indirect costs and understated health fee revenues. The State paid the district \$149,443. Allowable costs exceeded the amount paid by \$153,076. The following table summarizes the audit results.

<u>Cost Element</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 1999, through June 2000</u>			
Health service costs	\$ 545,579	\$ 545,579	\$ --
Less cost of services in excess of FY 1986-87 services	(140,275)	(140,275)	--
Less authorized health fees	(321,840)	(474,501)	(152,661)
Adjustment to eliminate negative balance	--	69,197	69,197
Total program costs	<u>\$ 83,464</u>	--	<u>\$ 83,464</u>
Less amount paid by State		(83,464) <sup>1</sup>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (83,464)</u>	
<u>July 1, 2000, through June 2001</u>			
Health service costs	\$ 711,352	\$ 635,868	\$ (75,484)
Less authorized health fees	(435,934)	(468,000)	(32,066)
Total program costs	<u>\$ 275,418</u>	167,868	<u>\$ (107,550)</u>
Less amount paid by State		(19,270) <sup>1</sup>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 148,598</u>	

Cost Element	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 2001, through June 2002</u>			
Health service costs	\$ 750,555	\$ 668,766	\$ (81,789)
Less cost of services in excess of FY 1986-87 services	--	--	--
Less authorized health fees	<u>(430,977)</u>	<u>(534,115)</u>	<u>(103,138)</u>
Total program costs	<u>\$ 319,578</u>	134,651	<u>\$ (184,927)</u>
Less amount paid by State		<u>(46,709)</u>	<sup>1</sup>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 87,942</u>	
<u>Summary: July 1, 1999, through June 2002</u>			
Health service costs	\$ 2,007,486	\$ 1,850,213	\$ (157,273)
Less cost of services in excess of FY 1986-87 services	(140,275)	(140,275)	--
Less authorized health fees	(1,188,751)	(1,476,616)	(287,865)
Adjustment to eliminate balance	--	<u>69,197</u>	<u>69,197</u>
Total program costs	<u>\$ 678,460</u>	302,519	<u>\$ (375,941)</u>
Less amount paid by State		<u>(149,443)</u>	<sup>1</sup>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 153,076</u>	

<sup>1</sup> Payment information is based on amount paid when the final report was issued.

The district's IRC contests all audit adjustments, totaling \$375,941. The district believes that its indirect cost rates claimed are appropriate and that it reported the correct amount of health service fee revenues. Further, the district believes that the SCO was not authorized to make changes to the payment amounts from the State for FY 1999-2000 and FY 2000-01, and 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 (CSM) adopted the parameters and guidelines for Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session. The CSM amended the parameters and guidelines on May 25, 1989 (**Exhibit B**), because of Chapter 1118, Statutes of 1987.

The parameters and guidelines (amended May 25, 1989) identify 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.]

## 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.

## 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 . . . authorized by Education Code section 72246 for health services [now Education Code section 76355].

### SCO Claiming Instructions

The SCO annually issues claiming instructions, which contain filing instructions for mandated cost programs. The September 2002 claiming instructions provide instructions for

indirect cost. Section 5B(2) of the instructions (**Tab 3**) states, "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 [FAM-29C]..." The instructions are consistent with the Health Fee Elimination Claim Summary Instructions, Item (05) (**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 reimbursement claims.

## **II. THE DISTRICT OVERSTATED INDIRECT COST RATES**

### Issue

For FY 2000-01 and FY 2001-02, the district overstated its indirect cost rates, thus overstating its indirect costs by \$157,273. The district claimed indirect costs based on indirect cost rate proposals (ICRP) prepared for each fiscal year by an outside consultant using OMB Circular A-21 simplified indirect cost methodology. The district claimed indirect costs based on indirect cost rates of 47.3% for FY 2000-01 and 47.8% for FY 2001-02. However, for those years the district had a federally approved indirect cost rate of 30%. Consequently, the district overstated the indirect cost rate by 17.3% for FY 2000-01 and 17.8% for 2001-02. The district believes that its indirect cost rates claimed are appropriate.

### SCO Analysis:

The SCO claiming instructions provide community colleges an option of using a federally approved rate prepared in accordance with OMB Circular A-21 or the alternate methodology using Form FAM-29C.

Consistent with the SCO claiming instructions, the SCO auditor calculated FY 2000-01 and FY 2001-02 indirect costs using the 30% indirect cost rates resulting in overstated claimed costs of \$75,484 for FY 2000-2001 and \$81,789 for FY 2001-02, totaling \$157,273.

The parameters and guidelines allow 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 ICRPs prepared using 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.

### District's Response

The Controller asserts that the District overstated its indirect cost rates and costs in the amount of \$157,273 for FY 2000-01 and FY 2001-02. For FY 1999-00, the Controller states that the District correctly used a "federally approved" rate of 30%. The audit report states "that community college districts have the option of using a federally approved rated

prepared in accordance with Office of Management and Budget (OMB) Circular A-21 or the alternative methodology using Form FAM-29C.” The Controller insists that the District should have used the same federally approved rate of 30% for FY 2000-01 and FY 20001-02, since the District did not use the alternative SCO Form FAM-29C method.

#### Federal Approval

Contrary to the Controller’s ministerial preferences, there is no requirement in law that the district’s indirect cost rate must be “federally” approved, and neither the Commission nor the Controller has ever specified the federal agencies which have the authority to approve indirect cost rates . . .

#### Regulatory Requirements

No particular indirect cost rate calculation is required by statute. 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. The Controller asserts that the specific directions for the indirect cost rate calculation in the claiming instructions are an extension of the parameters and guidelines . . .

#### CCFS-311

In fact, both the District’s method and the Controller’s FAM-29C method utilize the same source document, the CCFS-311 annual financial and budget report required by the state. The difference in the claimed and audited methods is in the determination of which of those cost elements are direct costs and which are indirect costs . . .

#### 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. Here, the District has computed its indirect cost rate utilizing cost accounting principles from the Office of Management and Budget Circular A-21, and the Controller has disallowed it without a determination of whether the product of the District’s calculation would, or would not, be excessive, unreasonable, or inconsistent with cost accounting principles. . . .

#### SCO’s Comment

The parameters and guidelines, section VI, state, “Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.” The district misinterprets “may be claimed” by implying 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 the district 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 (**Tab 3**) state, "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 [FAM-29C]. . . ." This instruction is consistent with the 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

(Note: These parameters and guidelines provide a third option, a 7% flat rate.) Therefore, the SCO did not act arbitrarily by using the federally approved rate to calculate allowable indirect cost rates.

In addition, neither this district nor any other district requested that the Commission review the SCO's claiming instructions pursuant to Title 2, California Code of Regulations (CCR), section 1186. Furthermore, the deadline has passed for the district to request a review of the claiming instructions applicable to the audit period. Title 2 CCR section 1186, subdivision (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."

Neither the SCO nor the CSM is not responsible for identifying the district's responsible federal agency. OMB Circular A-21 states:

[Cognizant agency responsibility] 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.

Government Code section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. Government Code section 17561, subdivision (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 report 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>2</sup> The district obtained federal approvals of its ICRPs for FY 2000-01 and FY 2001-02; therefore, the SCO auditor calculated indirect costs using the federally approved rate of 30% as described in the SCO claiming instructions. In conclusion, the indirect costs claimed were not computed in accordance with the SCO claiming instructions as promulgated by the parameters and guidelines. Therefore, the finding stands.

<sup>2</sup> Merriam-Webster’s Collegiate Dictionary, Tenth Edition, © 2001.

### **III. THE DISTRICT UNDERSTATED AUTHORIZED HEALTH FEE REVENUES CLAIMED**

#### Issue

The district understated authorized health fees by \$287,865 for the audit period. The district believes that it reported the correct amount of health service fee revenues.

#### SCO Analysis:

The district understated health fees credited against the costs of health services by \$287,865 for the audit period.

The district was unable to locate the student attendance data used to calculate the health fee revenues reported in the reimbursement claims for the audit period. As a result, the auditors used the district’s GLD144-02 printouts to identify offsetting health fees for each year.

The parameters and guidelines specify that any offsetting savings or reimbursements received by the district from any source as a result of the mandate must be identified and deducted so that only net district health services costs are claimed.

#### District’s Response

The Controller adjusted the reported enrollment and number of students subject to payment of the health services fee which resulted in a total adjustment of \$287,865 for the three fiscal years.

#### 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.*” [Emphasis added by district.]

### Parameters and Guidelines

This Controller states that the "*Parameters and Guidelines* specifies that any offsetting savings or reimbursements received must be identified and deducted." The parameters and guidelines actually 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 section 72246(a)<sup>3</sup>."

In order for a district to "experience" these "offsetting savings" the district must actually have collected these fees. Student health fees actually collected must be used to offset costs, but not student health 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

Nor can the Controller rely upon Government Code section 17514 for the conclusion that to the extent community college districts can charge a fee, they are not required to incur a cost. . . 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.

### Government Code section 17556

Nor can the Controller rely upon Government Code section 17556 for the conclusion that there are no claimable costs mandated by the State where the claimants have the authority to collect a service fee . . . 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.

### 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. 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 a 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 services fee revenue actually received, which the District has done for this incorrect reduction claim. Therefore, student health fees are merely collectible, they are not mandatory, and it is inappropriate to reduce claim amounts by revenues not received.

## Enrollment and Exempted Student Statistics

It is our understanding that the Controller adjusted the reported total student enrollment and reported number of exempt students based on data available from the office of the Chancellor of the Community Colleges. The information obtained from the Chancellor's office is based on information originally provided to the Chancellor by the District in the normal course of business. The Controller has not provided any factual basis why the Chancellor's data, subject to review and revision after the fact for several years, is preferable to the data reported by the District which was available at the time the claims were prepared. . . .

<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.

## SCO's Comment

### *Actual facts related to audit finding*

The district is mistaken that the finding was based on authorized fees. Instead, the finding was based on the amount of health services fee revenues collected by the district during the audit period (**Tab 5**). As noted above, the district was unable to locate the student attendance data used to calculate the health fee revenues reported in the reimbursement claims for the audit period. As a result, the auditors used the district's GLD144-02 printouts provided by the district to identify offsetting health fees collected for each year of \$474,501 for FY 1999-2000 (**Tab 5, A1 through A11**), \$468,000 for FY 2000-01 (**Tab 5, B1 through B10**), and \$534,115 for FY 2001-02 (**Tab 5, C1 through C11**).

This was one of the first group of audits performed on this mandated program. Therefore, we did not consider the district's fee authority in this audit. In subsequent audits, we determined that to the extent districts have authority to charge a fee, they are not required to incur a cost.

### *Discussion related to fee authority issue not considered during audit*

In response to the district's comments related to fee authority, we agree that community college districts may choose not to levy a health service fee. However, Education Code section 76355, subdivision (a), provides districts the authority to levy a health service fee. The parameters and guidelines state that health fees authorized by the Education Code must be deducted from costs claimed. Education Code section 76355, subdivision (a), states that a governing board of a community college district may require students to pay a health supervision and service fee. Education Code section 76355, subdivision (c), exempts collection of health fees from those students who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; (3) demonstrate financial need.

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, subdivision (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. 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, subdivision (d), states that the Commission shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service. For the Health Fee Elimination mandated program, the Commission clearly recognized the availability of another funding source by including the fees as offsetting savings in the 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 Commission's determination regarding authorized health service fees. The Commission's staff analysis of May 25, 1989, regarding the proposed parameters and guidelines amendments (**Tab 6**), states:

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

In response to that amendment, the [Department of Finance (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.

Thus, it is clear that the Commission's intent was that claimants 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 Commission regarding authorized health service fees.

Since the Commission's staff concluded that DOF's proposed language did not substantively change the scope of staff's proposed language, Commission staff did not further revise the proposed parameters and guidelines. The Commission's meeting minutes of May 25, 1989 (**Tab 7**) show that the Commission adopted the proposed parameters and guidelines on consent, with no additional discussion. Therefore, there was no change to the Commission's interpretation regarding authorized health service fees.

Two court cases addressed the issue of fee authority.<sup>4</sup> Both cases concluded that "costs" as used in the constitutional provision, exclude "expenses that are recoverable from sources other than taxes." In both cases, the source other than taxes was fee authority.

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 as indicated in the audit report. 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, Section J, the district is responsible for any bad debt accounts.

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

#### IV. AMOUNTS PAID BY THE STATE

##### Issue

For each fiscal year, the audit report identifies the amount previously paid by the State. The district believes the reported amounts paid are incorrect for FY 1999-2000 and FY 2000-01.

##### SCO Analysis:

The State paid the district \$83,464 for FY 1999-2000 and \$19,270 for FY 2000-01. These amounts include cash payments and any outstanding accounts receivable offsets applied.

##### District's Response

... The payment received from the state is an integral part of the reimbursement calculation. The Controller changed some of the claimed payment amounts received without a finding in the audit report.

<u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
As Claimed	\$0	\$0	\$46,709
Audit Report	\$83,464	\$19,270	\$46,709

The propriety of these adjustments cannot be determined until the Controller states the reason for each change.

##### SCO's Comment

For FY 1999-2000, the district's claimed amount does not recognize a \$26,099 payment issued March 9, 2000, by Warrant No. MA90516E and a \$57,365 payment issued August 1, 2001, by Warrant No. MA10501A (**Tab 8**).

For FY 2000-01, the district's claimed amount does not recognize a \$19,270 payment issued March 8, 2001, by Warrant No. MA00514E (**Tab 8**).

#### 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 1999-00 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 10, 2001, and filed its FY 2000-01 claim on December 20, 2001. Thus, both claims were subject to audit through December 31, 2003. The SCO conducted an audit entrance conference on May 21, 2003. Therefore, the SCO initiated an audit within the period that both claims were subject to audit.

### District's Response

... The District asserts that the FY 1999-00 and FY 2000-01 claims are beyond the statute of limitations for audit when the Controller issued its audit report on March 17, 2004. ...

The District's FY 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 December 20, 2001. According to Government Code section 17558.5, these claims were subject to audit no later than December 31, 2003. The Audit report was issued March 17, 2004. Therefore, the audit adjustments for Fiscal Year 1999-00 and 2000-01 are barred by the statute of limitations.

### 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. ...

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

Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003, amended Section 17558.5. ... 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. ...

Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005, amended 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 of FY 1999-00 and FY 2000-01 within the statutory time period allowed. The audit findings and reductions are therefore void for those two years.

## SCO's Comment

Since the entrance conference for the audit in question was held on May 21, 2003, the FY 1999-2000 and FY 2000-01 claims were still subject to audit.

The district believes that the audit initiation date is not relevant. 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, subdivision (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, subdivision (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>5</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.

As of January 1, 2003, Government Code section 17558.5, subdivision (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 Controller. Construing the statutory language to permit the Controller'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 a 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 May 21, 2003 (**Tab 9**), well before the statute of limitations expired for the FY 2001-2002 claim of December 31, 2004.

<sup>5</sup> Source: American Heritage Dictionary of the English Language, Fourth Edition © 2000.

### III. CONCLUSION

The State Controller's Office audited the Pasadena Area 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 \$678,460 for the mandated program. Our audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred primarily because the district overstated indirect costs and understated health fees.

In conclusion, the Commission on State Mandates should find that: (1) the SCO correctly reduced the district's FY 1999-2000 claim by \$83,464; (2) the SCO correctly reduced the district's FY 2000-01 claim by \$107,550 and (3) the SCO correctly reduced the district's FY 2001-02 claim by \$184,927.

### VII. 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 October 9, 2007, at Sacramento, California, by:

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

**TAB 3**

**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.						



## 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.

<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 ___/___/___	<b>Program</b>  <span style="font-size: 2em; font-weight: bold;">029</span>	
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)	
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(26)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(27)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
<b>Fiscal Year of Cost</b>	(06) 20___/20___	(12) 20___/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)	
<b>(37) CERTIFICATION OF CLAIM</b>				
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)]	

<b>HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions</b>	<b>FORM HFE-1.0</b>
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(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>
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(01) Claimant	(02) Type of Claim	Fiscal Year
	Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	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>
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- (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			

**TAB 5**

3c 11/8/03 38 2  
 9/8/11/03

FISCAL YEAR 1999-2000  
 HEALTH CENTER, CC6407, YEAR END JOURNAL  
 HEALTH FEE REVENUE AND RELATED EXPENDITURES

	REVENUE	EXPENDITURES	DEFRD REVENUE
(A) 3/2/00 to 3/31/01	474,500.62	442,120.40	32,380.22

no prior year  
 2,140.86 - Federal Student Worker

3/1/01  
 (A) 3/1/01 to 3/31/01  
 3/1/01 3/31/01 deferred  
 of 474,500.62 total collected

Total Revenues per Transaction Report	(610144-02) (A2)	\$442,120.40	(A9)
Less Revenues Deferred Beginning of Fiscal Year		<del>0</del>	
Add Revenues Deferred End of Fiscal Year		32,380.22	(A8)
Total collected - FY 1999-2000		<u>\$ 474,500.62</u>	



PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
03	8876	6407	0000	HEALTH SERVICE/HEALTH CTR PCC			.00	.00	.00
				BEGINNING BALANCE 07/01			.00		
RC	000009		CA.CK.REG 7/1-7/10/99		07/15	07/15	.00	10,788.00	10,788.00-
RC	000010		ACCTG COLL 7/12-7/16/99		07/19	07/19	.00	11.00	11.00-
RC	000011		X&F'99 CA.CK.REG 07/06-13/99		07/19	07/19	.00	14,629.00	14,629.00-
RC	000012		X&F'99 CR.CD.REG.7/1-7/13/99		07/19	07/19	.00	4,593.00	4,593.00-
RC	000014		CA.CK. SBS 7/2-7/8/99		07/20	07/20	.00	22.00	22.00-
RC	000015		X&F'99CA.CK.REG.&CEC 7/8-19/99		07/21	07/21	.00	8,481.00	8,481.00-
RC	000017		ACCTG COLL 7/1-7/20/99		07/21	07/21	.00	35.00	35.00-
JV	000026		ACCTG COLL. 7/20-7/28/99		07/29	07/29	.00	98.00	98.00-
JV	000035		SUM99RFD REQ#3595THRU3599&3600		08/02	08/03	.00	2,796.00	2,796.00-
RC	000033		CA.CK.REG 7/15-7/26/99		08/03	08/03	.00	21,872.00	21,872.00-
RC	000034		CR.CD.REG 7/8-7/26/99		08/03	08/03	.00	5,068.00	5,068.00-
RC	000036		ACCTG COLL 7/28-8/3/99		08/03	08/03	.00	41.00	41.00-
JV	000046		ADJ TO JV35		08/09	08/10	.00	48.00	48.00-
JV	000048		SUMMER 99 REFUND RG#3601-3606		08/10	08/11	.00	4,249.00	4,249.00-
JV	000060		SUM99 RFD MW2246-2248REG#3605		08/10	08/17	.00	22.00	22.00-
MW	002230		CLUTE REV FUND - 7/16-7/20/99		08/10	08/10	.00	8.00	8.00-
RC	000043		ACCTG COLL 8/2-8/4/99		08/10	08/10	.00	44.00	44.00-
RC	000047		ACCTG COLL 7/29-8/9/99		08/10	08/10	.00	62.00	62.00-
CW	001858		SUM.99 RFI858-JORDAN, PATRICK		08/12	08/12	.00	8.00	8.00
JV	000061		SUM99REFUND MW2267-81 REG#3610		08/16	08/17	.00	43.00	43.00-
RC	000055		TELREG,BNK CHGS,0/S 7/1-31/99		08/16	08/16	.00	33,506.00	33,506.00-
RC	000055		CR.CD.REG 7/21-7/30/99		08/16	08/16	.00	2,747.00	2,747.00-
RC	000055		CR.CD.SBS 7/1-7/30/99		08/16	08/16	.00	33.00	33.00-
RC	000056		CA.CK.REG.7/21-7/30/99		08/16	08/16	.00	18,116.00	18,116.00-
RC	000056		CA.CK.SBS 7/19-7/30/99		08/16	08/16	.00	33.00	33.00-
RC	000056		NSF CKS JULY '99		08/16	08/16	.00	379.00	379.00-
RC	000058		ACCTG COLL 8/11-8/13/99		08/16	08/16	.00	93.00	93.00-
MW	002296		SPR99 REFUND-VENEGAS,OSBALDO		08/18	08/19	.00	11.00	11.00-
RC	000070		CA.CK.REG.8/2,3,11,12/99 &MISC		08/19	08/19	.00	7,796.00	7,796.00-
RC	000075		ACCTG COLL 8/16-8/23/99		08/23	08/23	.00	149.23	149.23-
RC	000077		REG.8/4,5,9,10/99 & 8/17 MISC		08/23	08/23	.00	5,082.00	5,082.00-
MW	002342		HO, KONG W. SPRING'99 REFUND		08/24	08/25	.00	11.00	11.00-
JV	000087		TRNSF DEF INC TO FY9900		08/26	08/26	.00	8.00	8.00
JV	000088		TRNSF DEF INC TO FY 99/00		08/26	08/27	.00	131,474.47	131,474.47-
MW	002388		CLUTE REV FUND - 8/18-8/19/99		08/26	08/26	.00	80.00	80.00-
MW	002389		CLUTE REV FUND - 8/16/99		08/26	08/26	.00	254.00	254.00-
CW	001858		SUM99RFD P.JORDAN-COR.POSTING		08/31	08/31	.00	8.00	8.00-
CW	001858		SUM99RFD-JORDAN,PATRICK		08/31	08/31	.00	8.00	8.00-
JV	000106		SUPP SUM99RFD MW2355-67R#3618		08/31	09/01	.00	8.00	8.00-
RC	000098		CA.CK.SBS 8/16-20/99		08/31	08/31	.00	32.00	32.00-
RC	000103		ACCTG COLL. 8/24-8/31/99		08/31	08/31	.00	1.00	1.00-

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
AD	090299		Load Adopted Budget		09/02	09/02	432,953.00	.00	432,953.00
RC	000107		CA.&CK.REG.8/6-27/99	CE&C& MISC	09/03	09/03	.00	12,451.00	12,451.00-
RC	000108		CR.CD.REG.8/2-27/99		09/03	09/03	.00	7,557.00	7,557.00-
RC	000113		CA.CK.REG.8/18,21,23, &24/99		09/03	09/03	.00	4,334.00	4,334.00-
RC	000114		ACCT'G COLLECTION 8/23-9/2/99		09/03	09/03	.00	79.75	79.75-
MW	002395		CLUTE REV FUND - 8/17-8/18/99		09/08	09/08	.00	126.00	126.00-
MW	002464		CLUTE REV FUND - 8/20-8/23/99		09/08	09/08	.00	32.00	32.00-
MW	002465		CLUTE REV FUND - 8/24-8/25/99		09/08	09/08	.00	51.00	51.00-
MW	002466		CLUTE REV FUND - 8/26/99		09/08	09/08	.00	32.00	32.00-
MW	002467		CLUTE REV FUND - 8/27/99		09/08	09/08	.00	16.00	16.00-
MW	002469		CLUTE REV FUND - 8/31/99		09/08	09/08	.00	32.00	32.00-
JV	000123		SUM99RFDS MW2243-2459 REG#3627		09/13	09/14	.00	235.00	235.00-
JV	000123		SPRING 99 REFUNDS REG#3627		09/13	09/14	.00	11.00	11.00-
JV	000140		RF 933 CORRECTION		09/21	09/21	.00	8.00	8.00-
MW	002532		CLUTE REV FUND - 9/1/99-9/2/99		09/21	09/21	.00	8.00	8.00-
MW	002534		CLUTE REV FUND - 9/8/99-9/9/99		09/21	09/21	.00	32.00	32.00-
MW	002535		CLUTE REV FUND - 9/10-9/13/99		09/21	09/21	.00	8.00	8.00-
RC	000141		ACCTG COLL.9/1-9/22/99		09/22	09/22	.00	40.00	40.00-
RC	000146		CA.CK.SBS 8/23-8/31/99		09/23	09/23	.00	32.00	32.00-
RC	000146		C.ACK.REG 8/30-31/99,MISC.&CEC		09/23	09/23	.00	1,221.00	1,221.00-
RC	000146		AUG.NSF CKS.		09/23	09/23	.00	264.00	264.00-
RC	000149		CA.CK.SBS 9/1-9/10/99		09/24	09/24	.00	66.00	66.00-
RC	000150		C.C.REG.8/18,21,23,24,30,31/99		09/29	09/29	.00	3,366.00	3,366.00-
RC	000150		TELREG,O/S,BNK CHGS 8/1-31/99		09/29	09/29	.00	5,962.00	5,962.00-
RC	000156		CA.CK.SBS 9/13-17/99		09/29	09/29	.00	22.00	22.00-
RC	000157		CA.CK.REG 9/1-21/99		09/29	09/29	.00	2,959.00	2,959.00-
CW	004486		ZHANG, ANNA NA		09/30	10/08	.00	11.00	11.00-
JV	000178		FALL REFUNDS99 REG#3630-3639		09/30	10/08	.00	8,933.00	8,933.00-
RC	000160		ACCTG COLL. 9/3-9/28/99		09/30	09/30	.00	65.25	65.25-
MW	002572		CLUTE REV FUND - 9/15-9/16/99		10/04	10/04	.00	8.00	8.00-
MW	002576		CLUTE REV FUND - 9/23/99		10/04	10/04	.00	16.00	16.00-
MW	002577		CLUTE REV FUND - 9/24/99		10/04	10/04	.00	16.00	16.00-
CW	003313		NGUYEN, CUC THO CK VOIDED		10/06	10/06	.00	11.00	11.00-
RC	000169		ACCTG COLL 9/28-10/6/99		10/06	10/06	.00	32.00	32.00-
RC	000173		ACCTG COLL 9/21-10/6/99		10/07	10/07	.00	22.00	22.00-
RC	000174		CA.CK.SBS 9/20-9/24/99		10/07	10/07	.00	11.00	11.00-
RC	000175		CA.CK.REG,CEC,MISC.9/22-30/99		10/07	10/07	.00	275.00	275.00-
JV	000194		FALL99 REFUNDS REG#3645		10/14	10/14	.00	59.00	59.00-
JV	000198		FALL'99REFUNDS REG#3645,3646		10/14	10/14	.00	2,402.00	2,402.00-
JV	000199		FALL'99RFDS REG#3640,3641,3643		10/14	10/14	.00	297.00	297.00-
RC	000192		CA.CK.SBS 9/27-9/30/99		10/14	10/14	.00	44.00	44.00-
RC	000192		SEPT.'99 NSF CKS		10/14	10/14	.00	77.00	77.00-
RC	000197		ACCTG COLL 10/7-10/13/99		10/14	10/14	.00	11.00	11.00-
MW	004610		LEE, BELINDA 99'FALL REFUND		10/15	10/19	.00	19.00	19.00-

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

PASADENA CITY COLLEGE 99-00

REVENUE

DISTRICT 00

PERIOD ENDING 07/09/03

GLD144-02  
DATE 07/09/03

FND OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
MW 002680	CLUTE	REV FUND - 9/29/99		10/20	10/20	.00	8.00-	8.00
MW 002683	CLUTE	REV FUND - 10/4/99		10/20	10/20	.00	71.00-	71.00
MW 002684	CLUTE	REV FUND - 10/6/99		10/20	10/20	.00	44.00-	44.00
MW 002685	CLUTE	REV FUND - 10/7/99		10/20	10/20	.00	8.00-	8.00
MW 002686	CLUTE	REV FUND - 10/8/99		10/20	10/20	.00	77.00-	77.00
MW 002688	CLUTE	REV FUND - 10/12/99		10/20	10/20	.00	19.00-	19.00
MW 002692	CLUTE	REV FUND - 10/5/99		10/21	10/21	.00	30.00-	30.00
MW 002693	CLUTE	REV FUND - 10/13/99		10/21	10/21	.00	44.00-	44.00
MW 002694	CLUTE	REV FUND - 10/14/99		10/21	10/21	.00	22.00-	22.00
RC 000217	CR.CD.REG	9/1-9/30/99		10/21	10/21	.00	1,166.00-	1,166.00-
RC 000217	TELREG,BNK	CHGES ETC 9/1-30/99		10/21	10/21	.00	11.00-	11.00
JV 000247	FALL RFD	REG#3657(MW#2698-2845		10/27	10/28	.00	777.00-	777.00
RC 000249	ACCT COLL	10/8-10/27/99		10/28	10/28	.00	11.00-	11.00
MW 002863	CLUTE	REV FUND - 10/19/99		11/02	11/02	.00	11.00-	11.00
MW 002864	CLUTE	REV FUND - 10/18/99		11/02	11/02	.00	44.00-	44.00
MW 002865	CLUTE	REV FUND - 10/20/99		11/02	11/02	.00	33.00-	33.00
MW 002866	CLUTE	REV FUND - 10/21/99		11/02	11/02	.00	33.00-	33.00
MW 002867	CLUTE	REV FUND - 10/22/99		11/02	11/02	.00	22.00-	22.00
MW 002868	CLUTE	REV FUND - 10/25/99		11/02	11/02	.00	11.00-	11.00
MW 002880	CLUTE	REV FUND - 10/27/99		11/04	11/04	.00	8.00-	8.00
MW 002881	CLUTE	REV FUND - 10/28/99		11/04	11/04	.00	11.00-	11.00
MW 002883	CLUTE	REV FUND - 11/1/99		11/04	11/04	.00	40.00-	40.00
MW 002884	CLUTE	REV FUND - 11/2/99		11/04	11/04	.00	11.00-	11.00
RC 000271	ACCTG COLL	11/1-11/4/99		11/05	11/05	.00	8.00-	8.00
RC 000272	CA.CK.SBS	10/11-10/21/99		11/05	11/05	.00	22.00-	22.00
RC 000273	CA.CK.REG	10/1-10/28/99		11/05	11/05	.00	880.00-	880.00
RC 000274	ACCTG COLL	10/29-11/5/99		11/05	11/05	.00	33.00-	33.00
RC 000286	OCT.'99 NSF	CKS		11/15	11/15	.00	22.00-	22.00
JV 000300	FALL99 REFUNDS	MW2842-2966		11/18	11/19	.00	337.00-	337.00
RC 000290	CR.CD.REG.	10/1-10/28/99		11/18	11/18	.00	198.00-	198.00
RC 000295	ACCTG COLL	11/5-11/17/99		11/18	11/18	.00	22.00-	22.00
MW 002990	CLUTE	REV FUND - 11/3/99		11/22	11/22	.00	11.00-	11.00
MW 002991	CLUTE	REV FUND - 11/4/99		11/22	11/22	.00	11.00-	11.00
MW 002994	CLUTE	REV FUND - 11/9/99		11/22	11/22	.00	11.00-	11.00
MW 002993	CLUTE	REV FUND - 11/8/99		11/23	11/23	.00	11.00-	11.00
RC 000305	CA.CK.REG.	11/1-11/17/99		11/24	11/24	.00	4,674.00-	4,674.00
RC 000313	CA.CK.REG,CEC,MISC	11/18-23/99		11/30	11/30	.00	16,629.00-	16,629.00
RC 000314	ACCTG COLL	11/16-11/29/99		11/30	11/30	.00	22.00-	22.00
MW 003018	CLUTE	REV FUND - 11/19/99		12/02	12/02	.00	11.00-	11.00
MW 003020	CLUTE	REV FUND - 11/23/99		12/02	12/02	.00	8.00-	8.00
RC 000323	CA.CK.SBS	11/8-11/22/99		12/03	12/03	.00	33.00-	33.00
RC 000328	ACCTG COLL	11/30-12/1/99		12/03	12/03	.00	48.00-	48.00
RC 000330	ACCTG COLL	11/2-12/2/99		12/03	12/03	.00	37.63-	37.63
RC 000334	ACCTG COLL	12/2-12/8/99		12/09	12/09	.00	313.00-	313.00

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000339	CA.CK.REG.	11/24-11/30/99	12/09	12/09	.00	15,115.00	15,115.00-
RC	000343	CR.CD.REG	11/2-11/30/99	12/13	12/13	.00	8,004.00	8,004.00-
RC	000343	CR.CD.REG	11/2-11/30/99	12/13	12/13	.00	22,814.00	22,814.00-
RC	000347	CA.CK.SBS	11/23-11/30/99	12/14	12/14	.00	11.00	11.00-
RC	000347	NOV.'99 NSF CKS		12/14	12/14	.00	22.00	22.00-
JV	000352	FALL'99 REFUNDS	REG#3684	12/15	12/15	.00	560.00	560.00-
MW	003213	CLUTE REV FUND	- 11/24/99	12/15	12/15	.00	8.00	8.00-
MW	003215	CLUTE REV FUND	- 11/30/99	12/15	12/15	.00	22.00	22.00-
MW	003217	CLUTE REV FUND	- 12/6/99	12/16	12/16	.00	11.00	11.00-
RC	000358	CA.CK.SBS	12/6-12/10/99	12/16	12/16	.00	44.00	44.00-
RC	000363	ACCTG COLL	12/2-12/16/99	12/16	12/16	.00	66.00	66.00-
RC	000365	CA.CK.REG	12/9-12/15/99	12/17	12/17	.00	17,941.00	17,941.00-
RC	000366	CR.CD.REG	12/1-12/15/99	12/17	12/17	.00	6,952.00	6,952.00-
RC	000367	SBS CR.CD.	11/1-11/30/99	12/17	12/17	.00	11.00	11.00-
MW	003246	CLUTE REV FUND	- 12/2/99	12/20	12/20	.00	8.00	8.00-
MW	003249	CLUTE REV FUND	- 12/14/99	12/20	12/20	.00	8.00	8.00-
RC	000388	TELREG	11/1-30/99LESS BNK CHGS	01/06	01/06	.00	27,346.00	27,346.00-
RC	000393	ACCTG COLL	12/17/99-1/7/2000	01/07	01/07	.00	572.00	572.00-
RC	000394	ACCTG COLL	12/13/99-1/7/2000	01/07	01/07	.00	99.00	99.00-
JV	000396	FALL'99 REFUNDS	(MW3275-3301)	01/10	01/11	.00	250.00	250.00-
MW	003339	CLUTE REV FUND	- 12/16/99	01/10	01/10	.00	11.00	11.00-
JV	000407	FALL'99 REFUNDS	MW3347-3359REG#3701	01/11	01/13	.00	93.00	93.00-
RC	000399	CA.CK.REG.	12/16-22/99	01/12	01/12	.00	7,502.00	7,502.00-
RC	000400	CR.CD.REG.	12/16-22/99	01/12	01/12	.00	1,067.00	1,067.00-
RC	000401	CA.CK.REG	1/3-7/2000	01/12	01/12	.00	7,634.00	7,634.00-
RC	000402	CR.CD.REG	1/3-7/2000	01/12	01/12	.00	2,409.00	2,409.00-
RC	000410	ACCTG COLL	1/5-1/14/00	01/14	01/14	.00	209.00	209.00-
RC	000416	DEC.'99 NSF CKS		01/18	01/18	.00	473.00	473.00-
MW	003245	CLUTE REV FUND	- 12/1/99	01/19	01/19	.00	11.00	11.00-
MW	003401	CLUTE REV FUND	- 1/7/00	01/19	01/19	.00	11.00	11.00-
MW	003402	CLUTE REV FUND	- 1/10/00	01/19	01/19	.00	11.00	11.00-
RC	000405	DEC.TELREG	LESS DEC.BANK CHGS	01/24	01/24	.00	26,048.00	26,048.00-
RC	000426	ACCTG COLL	1/19-1/25/00	01/25	01/25	.00	22.00	22.00-
RC	000427	ACCTG COLL	1/11-1/25/00	01/25	01/25	.00	84.00	84.00-
RC	000435	CR.CD.REG.	1/8-1/15/00	01/26	01/26	.00	3,619.00	3,619.00-
RC	000436	CA.CK.REG.	CEC, MISC.1/8-15/00	01/26	01/26	.00	7,645.00	7,645.00-
RC	000438	CA.CK.SBS	1/5-1/14/2000	01/27	01/27	.00	55.00	55.00-
RC	000442	CA.CK.REG &	MISC.1/13-1/21/00	01/27	01/27	.00	6,127.00	6,127.00-
RC	000443	CR.CD.REG.	1/13-1/21/00	01/27	01/27	.00	3,135.00	3,135.00-
RC	000458	CA.CK.SBS	1/18-21/2000	02/02	02/02	.00	11.00	11.00-
RC	000459	CA.CK.REG.	1/24-1/27/2000	02/02	02/02	.00	3,168.00	3,168.00-
RC	000461	CR.CD.REG	1/24-1/27/2000	02/02	02/02	.00	1,815.00	1,815.00-
RC	000473	CA.CK.SBS	1/24-1/31/00	02/09	02/09	.00	132.00	132.00-
RC	000473	CA.CK.REG, CEC, MISC	1/28-31/00	02/09	02/09	.00	2,722.00	2,722.00-

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00

PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000473	RE-DEP OF DEPT OF REHAB CK			02/09	02/09	.00	11.00	11.00-
RC	000473	JAN '00 NSF CKS			02/09	02/09	.00	187.00	187.00-
RC	000482	ACCTG COLL 2/7-2/10/00			02/10	02/10	.00	22.00	22.00-
RC	000483	ACCTG COLL 1/24-2/10/00			02/10	02/10	.00	99.00	99.00-
RC	000499	CR.CD.REG 1/28-1/31/00			02/17	02/17	.00	440.00	440.00-
RC	000499	JAN.TELREG LES BNK CHGS&CHG BK			02/17	02/17	.00	3,410.00	3,410.00-
RC	000505	CA.CK.SBS 2/1-2/11/2000			02/23	02/23	.00	99.00	99.00-
RC	000508	ACCTG COLL 2/10-2/23/00			02/23	02/23	.00	11.00	11.00-
RC	000509	CA.CK.REG,CEC,MISC 2/1-14/00			02/23	02/23	.00	374.00	374.00-
JV	000526	SPRING REFUNDS			02/29	03/01	.00	8,949.00	8,949.00-
RC	000522	CA.CK.REG & MISC. 2/15-2/25/00			03/02	03/02	.00	66.00	66.00-
JV	000534	SPRING'00 REFUND RF7194-7248			03/03	03/03	.00	275.00	275.00-
JV	000534	SPRING'00 REFUNDS RF5866			03/03	03/03	.00	11.00	11.00-
MW	003656	FISCAL REV FUND - 2/28/00			03/07	03/07	.00	66.00	66.00-
MW	003657	FISCAL REV FUND - 2/29/00			03/07	03/07	.00	11.00	11.00-
CW	005800	KRIER,MICHELLE SP'00 REF			03/09	03/09	.00	11.00	11.00-
JV	000547	SP'00 REF MW3624-3652REG#3738			03/09	03/09	.00	250.00	250.00-
MW	003671	FISCAL REV FUND - 3/1/00			03/09	03/09	.00	11.00	11.00-
MW	003672	FISCAL REV FUND - 3/2/00			03/09	03/09	.00	33.00	33.00-
RC	000542	CA.CK.SBS 2/14-2/29/00			03/09	03/09	.00	88.00	88.00-
RC	000542	CA.CK.REG.,CEC,MISC 2/28-29/00			03/09	03/09	.00	22.00	22.00-
RC	000542	FEB.2000 NSF CKS			03/09	03/09	.00	77.00	77.00-
MW	003707	FISCAL REV FUND - 3/7/00			03/15	03/15	.00	22.00	22.00-
RC	000577	ACCTG COLL 1/5-2/20/00			03/21	03/21	.00	143.00	143.00-
RC	000578	CA.CK.SBS 3/1-3/9/00			03/21	03/21	.00	11.00	11.00-
MW	003718	FISCAL REV FUD - 3/6/00			03/22	03/22	.00	22.00	22.00-
MW	003720	FISCAL REV FUND - 3/9/00			03/22	03/22	.00	22.00	22.00-
MW	003721	FISCAL REV FUND - 3/10/00			03/22	03/22	.00	33.00	33.00-
MW	003722	FISCAL REV FUND - 3/15/00			03/22	03/22	.00	33.00	33.00-
MW	003723	FISCAL REV FUND - 3/16/00			03/22	03/22	.00	44.00	44.00-
MW	003724	FISCAL REV FUND - 3/17/00			03/22	03/22	.00	11.00	11.00-
RC	000579	CA.CK.REG,CEC,MISC.3/1-16/00			03/22	03/22	.00	312.00	312.00-
CW	032800	NITKAM EUKEEF F			03/28	03/29	.00	22.00	22.00-
JV	000600	SPRG/FALL REFUNDS(MW3731-3775)			03/28	03/29	.00	341.00	341.00-
RC	000587	CR.CD.REG. 2/1-2/29/00			03/28	03/28	.00	209.00	209.00-
RC	000587	FEB.TELREG,BK.CHGS.& REVERSALS			03/28	03/28	.00	11.00	11.00-
MW	003806	FISCAL REV FUND - 3/20/00			04/05	04/05	.00	22.00	22.00-
MW	003808	FISCAL REV FUND - 3/24/00			04/11	04/11	.00	253.00	253.00-
RC	000619	ACCTG COLL 4/3-4/10/00			04/11	04/11	.00	1,229.00	1,229.00-
RC	000622	CA.CK.REG3/17-3/30/2000			04/11	04/11	.00	22.00	22.00-
RC	000622	CA.CK.SBS 3/20-3/30/2000			04/11	04/11	.00	22.00	22.00-
MW	003857	FISCAL REV FUND - 3/21-3/22/00			04/17	04/17	.00	52.00	52.00-
MW	003858	FISCAL REV FUND - 4/3-4/4/00			04/17	04/17	.00	11.00	11.00-
MW	003859	FISCAL REV FUND - 4/5-4/7/00			04/17	04/17	.00		

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00 PERIOD ENDING 07/09/03

FND OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	REG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
MW 003865	FISCAL REV FUND	- 4/10-4/12/00	04/19	04/19	.00	11.00-	11.00
MW 003866	FISCAL REV FUND	- 4/14-4/14/00	04/19	04/19	.00	11.00-	11.00
RC 000640	ACCTG COLL	3/13-4/20/00	04/20	04/20	.00	34.73	34.73-
RC 000648	CA.CK.REG.	4/3-20/00CEC,MIS,S&X	04/26	04/26	.00	239.00	239.00-
RC 000653	8/5-8/6/2000 TEL REG		04/27	04/27	.00	583.00	583.00-
RC 000653	CR.CD.REG.	3/1-3/30/200	04/27	04/27	.00	132.00	132.00-
JV 000666	SPR 2000 REFUNDS MW	3876-3897	05/01	05/01	.00	195.00-	195.00
MW 003336	FISCAL REV FUND	- 4/17-4/20/00	05/01	05/01	.00	11.00-	11.00
RC 000668	ACCTG COLL	4/20-5/1/00	05/02	05/02	.00	8.00	8.00-
RC 000669	ACCTG COLL	4/27-5/1/00	05/02	05/02	.00	88.00	88.00-
MW 003958	FISCAL REV FUND	- 4/20-4/24/00	05/04	05/04	.00	11.00	11.00
MW 003960	FISCAL REV FUND	- 4/25-4/27/00	05/04	05/04	.00	11.00	11.00
RC 000676	SP.2000 CA.CK.REG.	4/21-4/28/00	05/04	05/04	.00	22.00	22.00-
RC 000678	CA.CK.SBS	4/17-4/21/00	05/05	05/05	.00	44.00	44.00-
RC 000684	SP.2000 CA.CK.REG.	5/1-5/4/00	05/08	05/08	.00	539.00	539.00-
RC 000687	CA.CK.SBS	4/24-4/28/00	05/09	05/09	.00	44.00	44.00-
RC 000689	ACCTG COLL	5/2-5/9/00	05/09	05/09	.00	220.00	220.00-
JV 000716	SPR'00 REFUNDS MW	3992-3999	05/12	05/12	.00	107.00	107.00
RC 000708	ACCT'G COLL	5/12/00 - 5/8/00	05/18	05/18	.00	187.00	187.00-
MW 04043	FISCAL REV FUND	- 5/9-5/12/00	05/22	05/22	.00	11.00	11.00
MW 04040	FISCAL REV FUND	- 5/1-5/3/00	05/23	05/23	.00	22.00	22.00
RC 000724	ACCTG COLL	4/21-5/23/00	05/23	05/23	.00	11.00	11.00
RC 000727	SP'00.MISC	CA.CK.REG 5/5-22/00	05/24	05/24	.00	77.00	77.00
RC 000690	SP'00.MISC	CR.CD.REG 5/1-22/00	05/25	05/25	.00	66.00	66.00
RC 000736	SP'00.MISC	CR.CD.REG.4/3-28/00	05/25	05/25	.00	77.00	77.00
RC 000758	CA.CK.SBS	5/11-5/19/00	06/02	06/02	.00	33.00	33.00
RC 000766	ACCTG COLL	5/10-6/1/00	06/02	06/02	.00	22.56	22.56-
MW 004145	FISCAL REV FUND	- 5/17-5/18/00	06/06	06/06	.00	22.00	22.00
RC 000781	ACCTG COLL	6/1-6/7/00	06/08	06/08	.00	11.00	11.00
RC 000820	X00 & MIS	CR.CD.REG.5/23-31/00	06/21	06/21	.00	22.00	22.00
RC 000823	ACCTG COLL	6/2-6/21/2000	06/21	06/22	.00	11.00	11.00
MW 004282	HUANG, SHOU S./FALL '99	REFUND	06/22	06/22	.00	11.00	11.00
RC 000828	X'00 REG. MIS & CEC	6/1-6/9/00	06/26	06/26	.00	30.00	30.00
RC 000832	ACCT COLL	6/15-6/26/00	06/26	06/26	.00	17.00	17.00
RC 000850	X'00 REG. & MISC.	6/12-6/16/00	06/28	06/28	.00	11.00	11.00
RC 000851	X'00 & MISC.	6/19-6/26/00	06/28	06/28	.00	11.00	11.00
JV 000867	SPRING REFUNDS MW	4213-4219	06/30	07/03	.00	44.00	44.00
JV 000966	DEFER EXCESS HEALTH FEE COLLEC		06/30	07/26	.00	30,239.36-	30,239.36
JV 000980	RVRS JV966 DEFER EXCES HLTH FE		06/30	07/27	.00	30,239.36	30,239.36-
JV 000980	COR DEFER EXCES HEALTH FEE COL		06/30	07/27	.00	32,380.22-	32,380.22
RC 000873	CA.CK.SBS	6/20-30/00	06/30	07/05	.00	88.00	88.00-
RC 000873	X'00 CA.CK.MISC/REG	6/27-30/00	06/30	07/05	.00	19.00	19.00-
AP 000013	MW210 TURNER, WILMA L	SPG00REF	07/19	07/19	.00	11.00	11.00
AR 000204	DPT OF REHAB	INV#5826	07/19	07/19	.00	11.00	11.00-

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GLD144-02  
DATE 07/09/03

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00 REVENUE PASADENA CITY COLLEGE 99-00 PERIOD ENDING 07/09/03

FND OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
			432,953.00			432,953.00	442,120.40	9,167.40-
			432,953.00			432,953.00	442,120.40	9,167.40-
						.00	.00	.00
						432,953.00	442,120.40	9,167.40-
						432,953.00	442,120.40	9,167.40-

CURRENT TRANSACTION TOTALS  
ENDING BALANCE 07/01

BEGINNING BALANCE 07/01  
CURRENT TRANSACTION TOTALS

\* \* \*ACCOUNT TYPE TOTALS \* \* \*

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00

PASADENA CITY COLLEGE 99-00

FUND 03 TOTALS

PERIOD ENDING 07/09/03

	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
ASSETS	.00	.00	.00	.00
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	432,953.00	442,120.40	442,120.40	9,167.40-
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

0 = ( ASSETS + EXPENDITURES ) - ( LIABILITIES + FUND BALANCE + REVENUE + ENCUMBR OFFSET )  
 442,120.40- = ( .00 + .00 ) - ( .00 + .00 + 442,120.40 + .00 )

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GLD144-02  
DATE 07/09/03

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 00

PASADENA CITY COLLEGE 99-00

DISTRICT 00 TOTALS

PERIOD ENDING 07/09/03

	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
ASSETS	.00	.00	.00	.00
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	432,953.00	442,120.40		9,167.40-
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

\*\*\*\*\* END OF REPORT GLD144-02 \*\*\*\*\*

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FISCAL YEAR 2000-01  
 HEALTH CENTER, CC6407, YEAR END JOURNAL  
 HEALTH FEE REVENUE AND RELATED EXPENDITURES

REVENUE	EXPENDITURES	DEFERD REVENUE
500,380.47	453,002.27	47,378.20

+1,604.01 - Federal Student Worker

500,380.47  
 prior year < 32,380.22 > 8/30/00  
 468,000.25  
 8/30/00

(A)  
 3E/21 11453,002.27 collected  
 3E/20 47,378.20 deferred  
500,380.47 Total collected ✓

(GLD144-02) (B2)  
 Total Revenues per Transaction Report \$ 453,002.27 (B8)  
 Less Revenues Deferred Beginning of Fiscal Year < 32,380.22 > (B4)  
 Add Revenues Deferred End of Fiscal Year 47,378.20 (B8)  
 Total Collected - FY 2000-01 \$ 468,000.25

Fy 00-01

Revenue

Jc 7/18/03

32 10

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**
** START OF REPORT GLD144-02
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** REPORT REQUESTED BY:
**
** ODESSA WALKER
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Pasadena Area Community College District

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01		REVENUE		PASADENA CITY COLLEGE		00-01		PERIOD ENDING 07/09/03	
FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE	
03	8876	6407	0000			.00	.00	.00	
			BEGINNING BALANCE						
			HEALTH SERVICE/HEALTH CTR PCC						
			07/01						
RC	000965	ACCTG COLL	6/28-6/30/01	07/02	07/02	.00	11.00	11.00-	
RC	000009	F'00 REG.CA.CK.	7/3-7/17/00	07/19	07/19	.00	29,177.00	29,177.00-	
RC	000009	X'00 CA.CK.REG.	7/3-7/17/00	07/19	07/19	.00	3,440.00	3,440.00-	
RC	000009	S'00 REG CA.CK.	7/3-7/17/00	07/19	07/19	.00	96.00	96.00-	
RC	000010	F'00 REG CR.CD.	7/3-7/17/00	07/19	07/19	.00	5,058.00	5,058.00-	
RC	000010	X'00 REG. CR.CD.	7/3-7/17/00	07/19	07/19	.00	2,392.00	2,392.00-	
RC	000012	ACCTG COLL	7/5-7/19/00	07/20	07/20	.00	33.00	33.00-	
RC	000027	ACCTG COLLECTION	7/19-7/25/00	07/26	07/26	.00	11.00	11.00-	
RC	000028	ACCTG COLL	7/3-7/25/00	07/26	07/26	.00	155.25	155.25-	
RC	000029	F'00 REG.CA.CK.	7/18-7/24/00	07/26	07/26	.00	15,856.00	15,856.00-	
RC	000029	X'00 REG CA.CK.	7/18-24/00	07/26	07/26	.00	8.00	8.00-	
RC	000029	S'00 REG CA.CK.	7/18-24/00	07/26	07/26	.00	21.00	21.00-	
JV	000042	SUM'00 REFUNDS	REG#3826-28-29	07/28	08/01	.00	2,286.00	2,286.00-	
RC	000040	CA.CK.SBS	7/6-7/14/00	07/31	07/31	.00	33.00	33.00-	
CW	000820	SUMMER '00	REFUND	07/31	07/31	.00	8.00	8.00-	
JV	000046	SUM'00 RFDS	REG3830 RF1001-998	07/31	08/01	.00	811.00	811.00-	
RC	000043	F'00 REG,CEC	CA.CK.725-27/00	07/31	07/31	.00	7,941.00	7,941.00-	
RC	000044	F'00 REG.CR.CD.	7/18-7/27/00	07/31	07/31	.00	3,949.00	3,949.00-	
RC	000044	X'00 REG CR.CD.	7/18-7/27/00	07/31	07/31	.00	56.00	56.00-	
RC	000047	ACCTG COLL	7/24-8/1/00	08/02	08/02	.00	147.00	147.00-	
JV	000053	SUMMER '00	REFUNDS	08/03	08/03	.00	1,550.00	1,550.00-	
MW	000263	BRADLEY, ROBIN	1ST SUM'00 BOG	08/04	08/04	.00	8.00	8.00-	
JV	000058	SUM'00RFD	R#3834-36RF1002-1836	08/07	08/08	.00	1,530.00	1,530.00-	
MW	001049	MEDINILLA, INGRID	MARLENE	08/08	08/15	.00	8.00	8.00-	
RC	000061	F'00 REG CA.CK.	7/28-7/31/00	08/10	08/10	.00	5,706.00	5,706.00-	
RC	000061	CA.CK.SBS	7/17-31/00	08/10	08/10	.00	85.00	85.00-	
RC	000061	JULY NSF	CKS	08/10	08/10	.00	404.00	404.00-	
RC	000064	F'00 REG CA.CK.	8/1-8/8/00	08/10	08/10	.00	7,691.00	7,691.00-	
RC	000067	ACCTG COLL	8/1-8/11/00	08/11	08/11	.00	11.00	11.00-	
RC	000068	ACCTG COLL	7/31-8/11/00	08/14	08/14	.00	77.00	77.00-	
JV	000074	REVERSE	JV 058	08/15	08/16	.00	1,530.00	1,530.00-	
JV	000075	SUM'00RFDS	REG3834-3836	08/15	08/16	.00	1,698.00	1,698.00-	
RC	000065	F'00 REG.CR.CD.	7/28-7/31/00	08/15	08/15	.00	935.00	935.00-	
RC	000065	F'00 JULYU	TELRREG	08/15	08/15	.00	32,453.00	32,453.00-	
JV	000077	SUM'00EX	DAY ED RFDS MW287-95	08/19	08/18	.00	265.00	265.00-	
RC	000081	F'00 REG CA.CK.	8/9-8/17/00	08/22	08/22	.00	10,055.00	10,055.00-	
RC	000083	F'00 REG CR.CD	8/9-8/17/00	08/22	08/22	.00	4,890.00	4,890.00-	
RC	000085	ACCTG COLL	8/7-8/21/00	08/22	08/22	.00	107.00	107.00-	
MW	000350	TO COV	REV FUND 8/8-14/00	08/23	08/23	.00	163.00	163.00-	
RC	000090	CA.CK.SBS	8/1-8/11/00	08/23	08/23	.00	11.00	11.00-	
RC	000091	F'00 REG.CA.CK.	8/18-8/2/00	08/23	08/23	.00	2,626.00	2,626.00-	

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01 REVENUE PASADENA CITY COLLEGE 00-01 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000092	F'00 REG.CR.CD.	8/1-8 & 18-21	08/23	08/23	.00	3,982.00	3,982.00-
RC	000092	X'00 REG.CR.CD.	8/21/0	08/23	08/23	.00	8.00	8.00-
RC	000094	SBS AUG CR.CD.	8/1-8/14/00	08/23	08/23	.00	8.00	8.00-
MW	000363	TO COVER AUG 18,2000		08/24	08/25	.00	16.00-	16.00-
MW	000364	TO COV REV FUND 8/15-17/00		08/24	08/25	.00	144.00-	144.00-
RC	000115	ACCTG COLL 8/14-8/30/00		08/31	08/31	.00	143.00-	143.00-
MW	000470	FISCAL SER REV FUND 8/25-29/00		09/06	09/06	.00	40.00-	40.00-
MW	000471	FISCAL SER REV FUND 8/21-24/00		09/06	09/06	.00	80.00-	80.00-
JV	000130	TRF DEF INC TO FY 00-01		09/07	09/13	.00	32,380.22	32,380.22-
JV	000130	TRF DEF INC TO FY 00-01		09/07	09/13	.00	136,048.00	136,048.00-
RC	000120	F'00 REG. CA.CK.	8/22-8/31/00	09/07	09/07	.00	5,865.00	5,865.00-
RC	000121	F'00 REG. CA.CK.	8/22-8/31/00	09/07	09/07	.00	3,567.00	3,567.00-
RC	000126	CA.CK.SBS 8/14-8/18/00		09/07	09/07	.00	33.00	33.00-
JV	000134	FALL '00 REFUND		09/11	09/13	.00	11.00-	11.00-
MW	000485	SBS REV FUND 8/30/00		09/12	09/12	.00	8.00	8.00-
MW	000486	TO COV REV FUND 8/31-9/8/00		09/12	09/12	.00	32.00	32.00-
RC	000135	CA.CK.SBS 8/22-31/00		09/13	09/13	.00	33.00	33.00-
RC	000135	AUG NSF CKS		09/13	09/13	.00	253.00	253.00-
AD	091400	Lead Adopted Budget		09/14	09/14	.00	436,448.00	436,448.00-
MW	000506	TO COV FIS SERV REV FUND 9/12/		09/14	09/14	.00	8.00	8.00-
RC	000141	ACCTG COLL 8/29-9/14/00		09/14	09/14	.00	54.00	54.00-
RC	000143	ACCTG COLL 9/6-9/13/00		09/14	09/14	.00	96.00	96.00-
MW	000399	RIKIHISA, KOTOMI		09/15	09/15	.00	11.00	11.00-
JV	000151	FALL '00 REFUND REG#3862-3865		09/18	09/19	.00	2,805.00	2,805.00-
JV	000146	SUMMER REFUNDS 2000		09/20	09/19	.00	59.00	59.00-
JV	000161	FALL REFUNDS REG#3866-3869		09/25	09/27	.00	2,687.00	2,687.00-
JV	000178	FALL '00 RFDS REG#3870-3873		09/28	09/29	.00	3,108.00	3,108.00-
CW	092900	ZGY, VICTORIA L.FALL '00 REFUND		09/29	09/29	.00	11.00	11.00-
CW	092900	BENG, PEI-YING FAL '00 REFUND		09/29	09/29	.00	11.00	11.00-
CW	092900	REIMONENQ, RENEE D FALL '00 REFUND		09/29	09/29	.00	11.00	11.00-
JV	000181	FALL '00RFDS EXTEND DAY&SUM'00		09/29	09/29	.00	24.00	24.00-
JV	000199	FAL '00 REFUND REG#3875		10/04	10/05	.00	33.00	33.00-
JV	000208	FALL '00 REFUNDS REG#3877-3878		10/04	10/06	.00	1,304.00	1,304.00-
RC	000194	CA.CK.SBS 9/6-9/22/00		10/04	10/04	.00	33.00	33.00-
RC	000198	F'00 REG CA.CK. 9/1-9/29/00		10/04	10/04	.00	1,768.00	1,768.00-
RC	000207	ACCTG COLL 9/14-10/5/00		10/05	10/05	.00	22.00	22.00-
JV	000215	FALL '00 REFUNDS REG#3879-3880		10/09	10/11	.00	66.00	66.00-
MW	000632	SBS REV FUND 9/20-29/00		10/09	10/09	.00	8.00	8.00-
MW	000633	SBS REV FUND 10/2&3,2000		10/09	10/09	.00	121.00	121.00-
RC	000216	CR.CD.SBS 8/15-8/31/00		10/10	10/10	.00	22.00	22.00-
JV	000237	F'00RFDS REG#3882,3884MW623-693		10/13	10/18	.00	338.00	338.00-
MW	000701	FIS SER REV FUNDS 10/4-6/00		10/16	10/16	.00	96.00	96.00-
MW	000702	FIS SER REV FUND 10/9-11/00		10/16	10/16	.00	71.00	71.00-
RC	000243	CA.CK.SBS 9/25-9/29/00		10/17	10/17	.00	33.00	33.00-

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01

REVENUE

PASADENA CITY COLLEGE

00-01

PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000243	N.S.F.CKS.	SEPT.'00	10/17	10/17	.00	66.00-	66.00
JV	000253	FALL'00	REFUND REG3888MW707-766	10/19	10/24	.00	470.00-	470.00
RC	000256	F'00	REG. CR. CD. 9/1-9/29/00	10/19	10/19	.00	957.00-	957.00
RC	000256	SEPT.'00	TELRG	10/19	10/19	.00	330.00-	330.00
MW	000773	FIS SER	REV FUND 10/12&13/00	10/20	10/20	.00	33.00-	33.00
RC	000264	ACCTG	COLL 9/13-10/20/00	10/23	10/23	.00	72.50-	72.50
MW	000694	VALENZUELA,	JENNIFER FALL RFD	10/25	10/27	.00	11.00-	11.00
JV	001030	D/R	BURBANK INV. #6199 (AR258)	10/30	07/25	.00	11.00-	11.00
JV	001030	D/R	BURBANK INV. #6199 (AR258)	10/30	07/25	.00	11.00-	11.00
MW	000838	XIE, SUN	BIN	11/03	11/07	.00	11.00-	11.00
MW	000843	FIS SER	REV FUND 10/16-20/00	11/03	11/03	.00	63.00-	63.00
MW	000844	FIS SER	REV FUND 10/23-27/00	11/03	11/03	.00	11.00-	11.00
RC	000292	CA.CK.SBS	10/2-10/20/00	11/05	11/03	.00	88.00-	88.00
MW	000830	RIOS, MELISSA		11/06	11/07	.00	11.00-	11.00
MW	000822	LUDD, DANIEL	C.	11/08	11/09	.00	11.00-	11.00
MW	000876	FIS SER	REV FUND 10/30-31/00	11/09	11/09	.00	44.00-	44.00
MW	000877	FIS SER	REV FUND 11/1-3/00	11/09	11/09	.00	11.00-	11.00
JV	000317	ADJ 272,	RF3953, WAKAMURA R.	11/13	11/16	.00	11.00-	11.00
JV	000320	FALL'00	RFDS EXT ED MW#794-863	11/16	11/22	.00	222.00-	222.00
RC	000321	SBS	CA.CK 10/23-10/31/00	11/17	11/17	.00	11.00-	11.00
RC	000321	CA.CK.	REG 10/2-10/31/00	11/17	11/17	.00	1,273.00-	1,273.00
RC	000321	OCT	NSF CKS	11/17	11/17	.00	11.00-	11.00
RC	000323	ACCTG	COLL 10/13-11/16/00	11/17	11/17	.00	93.00-	93.00
MW	000952	FIS SER	REV FUND 11/6-14/00	11/20	11/20	.00	8.00-	8.00
MW	000958	FIS SER	REV FUND 11/15-17/00	11/21	11/21	.00	22.00-	22.00
JV	000349	FALL'00	REFS MW902-911REG#3909	11/28	11/29	.00	96.00-	96.00
MW	000992	FIS SER	REV FUND 11/20-22/00	12/04	12/04	.00	22.00-	22.00
RC	000361	CA.CK.SBS	11/1-11/17/00	12/05	12/05	.00	66.00-	66.00
RC	000362	F'00	REG CR.CD.10/2-10/31/00	12/07	12/07	.00	275.00-	275.00
RC	000362	BANK	CHGS/O.S/CHGR BKS 10/00	12/07	12/07	.00	44.00-	44.00
RC	000367	S'00	REG. 11/1-11/30/00	12/07	12/07	.00	43,349.00-	43,349.00
RC	000367	F'00 &	MISC.REG.11/1-11/30/00	12/07	12/07	.00	1,485.00-	1,485.00
RC	000350	ACCTG	COLL 12/4-12/11/00	12/11	12/11	.00	11.00-	11.00
RC	000387	ACCTG	COLL 11/17-12/11/00	12/11	12/11	.00	55.00-	55.00
CW	001088	YANG,XIAO	QUING FALL '00 REFUND	12/15	03/06	.00	11.00-	11.00
MW	001096	FIS SER	REV FUND 11/27-30/200	12/15	12/15	.00	22.00-	22.00
MW	001097	FIS SER	REV FUND 12/1-6/00	12/15	12/15	.00	11.00-	11.00
MW	001098	FIS SER	REV FUND 12/7-12/00	12/15	12/15	.00	11.00-	11.00
RC	000395	CR.CD.	REG F'00 11/1-11/30/00	12/15	12/15	.00	33.00-	33.00
RC	000395	SBS	CR.CD.S'01 11/1-11/30/00	12/15	12/15	.00	11,420.00-	11,420.00
RC	000395	SBS	CR.CD.S'01 11/1-11/30/00	12/15	12/15	.00	11.00-	11.00
RC	000395	TELRG	S'01 11/1-11/30/00	12/15	12/15	.00	34,783.00-	34,783.00
RC	000405	ACCTG	COLL 12/1-12/15/00	12/18	12/18	.00	66.00-	66.00
RC	000409	CA.CK.SBS	11/20-11/30/00	12/19	12/19	.00	88.00-	88.00

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01 PASADENA CITY COLLEGE 00-01 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000409	NOV. NSF CKS			12/19	12/19	.00	55.00-	55.00
RC	000413	CA.CK.REG.S'01	12/1-12/15/00		12/19	12/19	.00	30,676.00-	30,676.00-
RC	000413	CA.CK.REG.F'00&MISC	12/1-15/00		12/19	12/19	.00	22.00-	22.00-
RC	000420	CA.CK.SBS	12/1-12/8/00		12/19	12/19	.00	11.00-	11.00-
MW	001048	CHAN, KA KIT FALL REFUND	00		12/20	12/20	.00	11.00-	11.00-
RC	000422	ACCTG COLL	11/20-12/19/00		12/20	12/20	.00	139.50-	139.50-
JV	000430	FALL'00 REFUND (MW1042-MW1094)			12/22	01/03	.00	445.00-	445.00-
JV	000448	FALL'00 REFUND	RF1030-RF1134		12/31	01/04	.00	44.00-	44.00-
RC	000483	MISC.REG	1/3-1/13/01		01/03	01/17	.00	22.00-	22.00-
MW	001152	FISCAL REV FUND	-12/19-12/22/00		01/05	01/05	.00	22.00-	22.00-
RC	000450	CA.CK.REG.S2001	12/18-12/22/00		01/05	01/05	.00	4,777.00-	4,777.00-
RC	000450	CA.CK.REG.F'00	12/18-12/22/00		01/05	01/05	.00	11.00-	11.00-
RC	000451	ACCTG COLL	12/20/00-1/4/01		01/05	01/05	.00	33.00-	33.00-
RC	000461	ACCTG COLL	1/3-1/9/01		01/09	01/09	.00	275.00-	275.00-
MW	001187	FISCAL REV FUND	- 1/3-1/9/01		01/11	01/11	.00	11.00-	11.00-
RC	000474	DEC NSF CKS			01/12	01/12	.00	396.00-	396.00-
RC	000481	ACCTG COLL	1/4-1/16/01		01/17	01/17	.00	143.00-	143.00-
RC	000483	REG S'01	1/3-1/13/01		01/17	01/17	.00	10,526.00-	10,526.00-
MW	001220	FISC REV FUN	1/10-1/19		01/25	01/25	.00	11.00-	11.00-
RC	000494	ACCTG COLL	1/12-1/24/01		01/25	01/25	.00	132.00-	132.00-
RC	000499	ACCTG COLL	1/16-1/24/01		01/25	01/25	.00	209.00-	209.00-
RC	000501	CA.CK.REG.& CEC	S01 1/16-23/01.		01/25	01/25	.00	8,772.00-	8,772.00-
RC	000519	CR.CD.REG.S'01	12/1-12/22/00		01/30	01/30	.00	6,759.00-	6,759.00-
RC	000519	CR.CD.REG.SMR/FL	00 12/1-22/00		01/30	01/30	.00	19.00-	19.00-
MW	001353	FISCAL REV FUND	-1/22-1/26/01		02/02	02/02	.00	11.00-	11.00-
RC	000538	CA.CK.REG.& cec	1/24-1/31/01		02/06	02/06	.00	5,415.00-	5,415.00-
RC	000539	CA.CK.SBS	1/22-1/31/01		02/06	02/06	.00	130.00-	130.00-
MW	001363	NAITO, TAKAHIRO			02/08	02/08	.00	11.00-	11.00-
JV	000548	SPR 01 EXTEND ED	MW1310-1335		02/09	02/13	.00	104.00-	104.00-
RC	000551	ACCTG COLL	12/18-2/8/01		02/09	02/09	.00	66.00-	66.00-
RC	000553	CA.CK.SBS	1/29-1/31/01		02/13	02/13	.00	11.00-	11.00-
RC	000553	NSF CKS	JANUARY 01		02/13	02/13	.00	132.00-	132.00-
MW	001377	UPAPONG, PIYAWAN	SPR 01 REFUND		02/16	02/20	.00	11.00-	11.00-
JV	000564	FALL01REFDS	MW1401-1428 #3961		02/20	02/23	.00	280.00-	280.00-
RC	000558	CR.CD.SBS	1/3-1/31/01		02/20	02/20	.00	33.00-	33.00-
RC	000559	CR.CD.REG.	1/3-1/31/01		02/20	02/20	.00	12,263.00-	12,263.00-
RC	000562	ACCTG COLL	2/7-2/21/01		02/20	02/20	.00	44.00-	44.00-
RC	000581	CA.CK.SBS	2/1-2/9/01		02/27	02/27	.00	22.00-	22.00-
RC	000582	CA.CK.REG.& CEC	2/1-2/20/01		02/27	02/27	.00	2,749.00-	2,749.00-
RC	000587	F'00 TEL REG	8/1-8/31/00		02/27	02/27	.00	5,734.00-	5,734.00-
JV	000593	SPRING REFUND	01 RG4379-4999		02/28	03/01	.00	1,804.00-	1,804.00-
JV	000597	SPRING 01 REFUND			02/28	03/01	.00	880.00-	880.00-
RC	000590	ACCTG COLL	2/21-2/28/01		02/28	02/28	.00	363.00-	363.00-
JV	000598	SPR RFDS'01	RF5027-5558REG3964		03/02	03/02	.00	1,001.00-	1,001.00-

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PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01

REVENUE

PASADENA CITY COLLEGE

00-01

PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
JV	000603	SPR	RFDS RF5559-5876	03/02	03/02	.00	1,364.00-	1,364.00
JV	000607	SUM&FALL	RFDS MW1471-1525	03/02	03/06	.00	490.00-	490.00
JV	000613	SPR/01	REFUNDS RF5876-6334	03/05	03/06	.00	1,419.00-	1,419.00
MW	001088	YANG	XIAO QING FALL2000 RFD	03/06	03/07	.00	11.00-	11.00
JV	000617	SPR/01	RFDS RF6335-6379REG3971	03/07	03/08	.00	484.00-	484.00
MW	001542	SBS	MAR 1,2,5	03/07	03/07	.00	55.00-	55.00
RC	000619	ACCTG	COLL 2/8-3/7/01	03/07	03/07	.00	99.00-	99.00
RC	000623	CA.CK.	REG. & CEC S01 2/22-28/01	03/09	03/09	.00	110.00-	110.00
RC	000625	CA.CK.	SBS 2/12-2/23/01	03/09	03/09	.00	132.00-	132.00
MW	001585	SBS	MAR 6-8,2001	03/12	03/12	.00	121.00-	121.00
JV	000633	SP	REF RF6380-6525MW1551-1557	03/13	03/15	.00	1,636.00-	1,636.00
RC	000631	TELREG	12/1-12/31/00	03/13	03/13	.00	20,614.00-	20,614.00
RC	000635	FEB.	NSF CKS	03/14	03/14	.00	220.00-	220.00
RC	000637	ACCTG	COLL 3/7-3/12/01	03/14	03/14	.00	11.00-	11.00
MW	001635	SBS	MAR 9-14, 2001	03/16	03/16	.00	88.00-	88.00
RC	000565	CA.CK.	REG. & CEC S01 3/1-19/01	03/21	03/21	.00	231.00-	231.00
RC	000655	CA.CK.	SBS 3/1-3/9/01	03/21	03/21	.00	22.00-	22.00
JV	000643	SP01	RFDS MW1590-1627REG3979-80	03/22	03/22	.00	285.00-	285.00
MW	001658	SBS	MAR15-21, 2001	03/26	03/26	.00	132.00-	132.00
MW	000699	SP/01	REFDS MW1636-1640 REG3981	03/29	03/30	.00	33.00-	33.00
JV	000715	SP/01	RF MW1669-1727REG3990-92	03/29	04/10	.00	352.00-	352.00
RC	000711	ACCTG	COLL 2/26-3/29/01	04/03	04/03	.00	111.50-	111.50
MW	001762	SBS	MAR 21 - APR 3	04/10	04/10	.00	22.00-	22.00
RC	000726	ACCTG	COLL 3/26-4/10/01	04/11	04/11	.00	11.00-	11.00
RC	000730	CA.CK.	SBS 3/12-3/30/01	04/12	04/12	.00	132.00-	132.00
RC	000730	CA.CK.	REG. & CEC 3/20-3/30/01	04/12	04/12	.00	711.00-	711.00
JV	000753	SPG/01	REGIS REFND MW1798-1809	04/23	04/25	.00	44.00-	44.00
MW	001823	SBS	APR 9-20	04/25	04/25	.00	55.00-	55.00
RC	000772	CA.CK.	SBS 4/2-4/1/01	05/02	05/02	.00	11.00-	11.00
RC	000781	ACCTG	COLL 4/23-5/2/01	05/02	05/02	.00	264.00-	264.00
MW	001890	SBS	APRIL 23 - MAY 1,2001	05/03	05/03	.00	22.00-	22.00
RC	000784	CA.CK.	REG.S01 4/1-4/30/01	05/04	05/04	.00	630.00-	630.00
RC	000786	ACCTG	COLL 3/23-5/3/01	05/04	05/04	.00	75.50-	75.50
RC	000657	JAN.	TEL REG. LESS BNK CHGS	05/09	05/09	.00	5,291.00-	5,291.00
RC	000657	FEB.	TELREG LESS BNK CHGS/RVRSLS	05/09	05/09	.00	44.00-	44.00
RC	000657	FEB.	CR.CD.REG.S01 2/1-2/28/01	05/09	05/09	.00	1,496.00-	1,496.00
RC	000792	MAR.	CR.CD.REG.S01 3/1-3/30/01	05/09	05/09	.00	231.00-	231.00
RC	000792	MAR.	CR.CD.SBS S01 3/1-3/30/01	05/09	05/09	.00	11.00-	11.00
RC	000792	MAR.	TELREG LESS BNK CHGS/RVRSLS	05/09	05/09	.00	55.00-	55.00
RC	000796	CA.CK.	SBS 4/16-4/20/01	05/09	05/09	.00	11.00-	11.00
RC	000799	CA.CK.	SBS 4/23-4/30/01	05/10	05/10	.00	44.00-	44.00
RC	000799	NSF	CKS APRIL 2001	05/10	05/10	.00	11.00-	11.00
RC	000805	CA.CK.	REG S01 & MISC. 5/1-8/01	05/10	05/10	.00	228.00-	228.00
MW	001921	SBS	MAY 3 TO MAY 10, 2001	05/15	05/15	.00	66.00-	66.00

*g 8/11/03*

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01 REVENUE PASADENA CITY COLLEGE 00-01 PERIOD ENDING 07/09/03

FND OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC 000818	CA.CK.REG.S01	& MISC.5/9-11/01	05/16	05/16	.00	44.00	44.00-
RC 000828	ACCTG COLL	5/14-5/22/01	05/23	05/23	.00	407.00	407.00-
MW 001937	SBS MAY	11-22, 2001	05/24	05/24	.00	22.00	22.00-
RC 000845	CA.CK.REG.S01	&MISC.5/14-25/01	05/30	05/30	.00	77.00	77.00-
RC 000853	ACCTG COLL	5/22-5/30/01	05/30	05/31	.00	11.00	11.00-
JV 000860	SP01.RFD EXT INSTR	MW1951-1984	06/04	06/05	.00	84.00	84.00
RC 000861	CR.CD.REG.S01	& MISC.4/2-30/01	06/04	06/04	.00	53.00	53.00-
RC 000861	APRIL X01	TELREG/BNK CHGS/RINS	06/04	06/04	.00	33.00	33.00
MW 001993	SBS MAY	23 - MAY 29, 2001	06/05	06/05	.00	22.00	22.00-
MW 002028	SBS MAY	30 - JUNE 4, 2001	06/08	06/08	.00	22.00	22.00
RC 000880	CA.CK.SBS	5/14-5/23/01	06/11	06/11	.00	33.00	33.00-
RC 000886	X01 CA.CK.REG.CEC.	MISC.5/29-30	06/12	06/12	.00	77.00	77.00-
RC 000888	N.S.F.CKS.	MAY 2001	06/12	06/12	.00	11.00	11.00-
RC 000888	ACCTG COLL	6/4-6/12/01	06/13	06/13	.00	88.00	88.00-
RC 000890	ACCTG COLL	5/25-6/12/01	06/13	06/13	.00	11.00	11.00-
RC 000913	CR.CD.REG.S01	& MISC 5/1-31/01	06/20	06/20	.00	96.00	96.00-
RC 000914	X01 & MISC.	REG 6/1-6/18/01	06/20	06/20	.00	77.00	77.00-
MW 000132	HSIGH,	LI C	06/25	06/26	.00	9.00	9.00
MW 002128	P.C.C.BOOKSTOR,	CR.CD.DEBT CORR	06/25	06/25	.00	22.00	22.00
RC 000927	CA.CK.RG X01	& MISC 6/19-20/01	06/25	06/25	.00	306.00	306.00-
JV 000938	CORR.RC#927	DOC#779	06/26	06/26	.00	306.00	306.00-
RC 000942	X01 CA.CK.REG.	MISC 6/21-22/01	06/28	06/28	.00	8.00	8.00-
RC 000943	X01 CR.CD.REG.	MISC.6/01-20/01	06/28	06/28	.00	22.00	22.00-
RC 000949	X01 CA.CK.REG.	MISC 6/25-26/01	06/28	06/28	.00	11.00	11.00-
JV 001030	D/R BURBANK	INV#6199 (AR258)	06/30	07/24	.00	11.00	11.00-
JV 001030	D/R BURBANK	INV. #6199 (AR258)	06/30	07/25	.00	11.00	11.00-
JV 001061	DEF STUDNT HLT	CNTR-EXCESS.REV	06/30	07/27	.00	47,367.20	47,367.20
JV 001061	DEF ADDL STDT	HLTH REV AR 258	06/30	07/30	.00	11.00	11.00
RC 000974	CA.CK.SBS	6/20-6/29/01	07/05	07/05	.00	11.00	11.00-
RC 000974	X01 CA.CK.REG.	MISC 6/26-29/01	07/05	07/05	.00	22.00	22.00-
AR 000231	V.A. INV.	#6203	07/10	07/10	.00	11.00	11.00-
AR 000260	D/R PASADENA	INV.#6137	07/12	07/12	.00	11.00	11.00-
AP 000015	MW204,CHIEN,	MARGARET	07/19	07/19	.00	11.00	11.00-
AP 000017	MW206,LAI	NANCY	07/19	07/19	.00	11.00	11.00
AR 000258	CORR.OF INCOME	# ONLY	07/27	07/27	.00	11.00	11.00-
CURRENT TRANSACTION TOTALS							16,554.27-
ENDING BALANCE 07/YE							16,554.27-
BEGINNING BALANCE 07/01							.00
CURRENT TRANSACTION TOTALS							16,554.27-
** ACCOUNT TYPE TOTALS **							16,554.27-

g 8/11/07

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01

PASADENA CITY COLLEGE 00-01

FUND 03 TOTALS

PERIOD ENDING 07/09/03

	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
ASSETS	.00	.00	.00	.00
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	436,448.00	453,002.27		16,554.27-
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

0 = ( ASSETS + EXPENDITURES ) - ( LIABILITIES + FUND BALANCE + REVENUE + ENCUMBR OFFSET )

453,002.27- = ( .00 + .00 ) - ( .00 + 453,002.27 + .00 )

\*\*\*\*\* O U T O F B A L A N C E \*\*\*\*\*

*to 2/2/12*

*to 7/11/03 23*  
*g 8/11/03*

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 01

PASADENA CITY COLLEGE 00-01

DISTRICT 01 TOTALS		PERIOD ENDING 07/09/03		
ASSETS	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	436,448.00	453,002.27	16,554.27-	.00
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

\*\*\*\*\* END OF REPORT GLD144-02 \*\*\*\*\*

*to 7/18/03 26 20*  
*g 8/11/03*

3/2/02  
 3/8/02

FISCAL YEAR 2001-02  
 HEALTH CENTER, CC6407, YEAR END JOURNAL  
 HEALTH FEE REVENUE AND RELATED EXPENDITURES

REVENUE	EXPENDITURES	DEFERRED REVENUE
581,492.92	471,254.69	110,238.23

7,349.19<sup>(2)</sup> - Block Grant equipment

581,492.92  
 prior year < 47,378.20 > IR 3/2/02  
 534,114.72  
 IR 3/2/02

To 9/1/02  
 (A) Claimed # 481,181.53 (FUND 1 - General. <sup>(2)</sup> # 3,180.68)  
 FUND 3 - restricted 478,603.88 } IR 3/2/02  
 less:  
 FUND 1 < 3,180.68 > <sup>(2)</sup>  
 Block Grant < 7,349.19 > <sup>(2)</sup> IR 3/2/02  
471,254.69 ✓

(660144-02) (C2)  
 Total Revenues per Transaction Report \$ 471,254.69 (C10)  
 Less Deferred Revenues Beginning of Fiscal Year < 47,378.20 > (C4)  
 Add Deferred Revenues End of Fiscal Year 110,238.23 (C8)  
Total Collected FY 2001-02 \$ 534,114.72

Fy01 -  
Revenue

8/11/03  
g 8/11/03

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**          START OF REPORT GLD144-02          **
**          REPORT REQUESTED BY:              **
**          ODESSA WALKER                      **
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*Pasadena Area Community College District*

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 02 REVENUE PASADENA CITY COLLEGE 01-02 PERIOD ENDING 07/09/03

PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	REVENUE	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
03	8876	6407	0000	HEALTH SERVICE/HEALTH CTR PCC			.00	.00	.00
				BEGINNING BALANCE 07/01			.00	.00	.00
RC	000004		ACCTG COLL 7/2-7/11/01		07/11	07/11	.00	20.00	20.00-
RC	000008		F01 CA.CK.REG 7/2-12/01		07/16	07/16	.00	16,585.00	16,585.00-
RC	000008		X01 CA.CK.REG & MISC 7/2-12/01		07/16	07/16	.00	3,888.00	3,888.00-
RC	000021		ACCTG COLL 7/9-7/25/01		07/25	07/25	.00	89.00	89.00-
RC	000024		F01 CA.CK.REG.&CEC 7/13-19/01		07/26	07/26	.00	13,444.00	13,444.00-
RC	000024		X01 & MIS.CA.CK.REG.7/13-19/01		07/26	07/26	.00	793.00	793.00-
RC	000025		SBS CA.CK.7/3-7/12/01		07/26	07/26	.00	12.00	12.00-
JV	000222		BROGAN, KRISTIE LEIGH		07/27	08/21	.00	9.00	9.00-
JV	000229		COMM ED REF FALL SPRING 01		07/30	08/01	.00	34.00	34.00-
MW	000227		FIS. REV FUND 7/12-7/23		07/30	07/30	.00	12.00	12.00
CW	001121		MADADIAN, HAMLIK		08/01	08/21	.00	9.00	9.00-
CW	001326		ORTIZ, LIDIA MARIA		08/01	08/21	.00	9.00	9.00-
MW	000300		PAUL, IAN DAVID		08/03	08/09	.00	11.00	11.00-
CW	001515		SATTAROUNA, CHATROSE		08/06	08/21	.00	9.00	9.00-
CW	001573		SINHA, SHRUTI		08/06	08/21	.00	4.00	4.00-
CW	001586		SON, HYANG		08/06	08/21	.00	9.00	9.00-
CW	001593		SONG, ZIU-QIN		08/06	08/21	.00	9.00	9.00-
CW	001668		TIANO, MARJORIE		08/06	08/21	.00	9.00	9.00-
RC	000035		FALL 01 CA CK REG 7/20-7/27/01		08/06	08/06	.00	20,195.00	20,195.00-
RC	000035		SUM01 & MISC CA CK REG 7/20-27		08/06	08/06	.00	163.00	163.00-
RC	000050		ACCTG COLL 7/16-8/3/01		08/06	08/06	.00	69.00	69.00-
CW	001976		ZDOURIAN, ELMA		08/07	08/21	.00	9.00	9.00-
JV	000052		SUM REF'D 01REG#4066-4068 7/01		08/10	08/22	.00	4,201.00	4,201.00-
JV	000057		SUM REF'D 01REG#4069-4070AUG2001		08/10	08/21	.00	1,840.00	1,840.00-
MW	000372		FISCAL SERV REV FUND 8/6-8/14		08/15	08/17	.00	9.00	9.00
RC	000060		ACCTG COLL 8/3-8/15/01		08/15	08/15	.00	60.00	60.00-
JV	000065		SUM01RED RF1401-2064REG4071-77		08/18	08/28	.00	2,964.00	2,964.00-
MW	000376		8/20/01 REVOLVING FUND		08/21	08/22	.00	288.00	288.00-
MW	000380		8/21/01 REV. FUND		08/22	08/23	.00	72.00	72.00-
RC	000068		CA.CK.SBS 7/11-7/31/01		08/22	08/22	.00	66.00	66.00-
RC	000068		F01 CA.CK.REG.&CEC 7/30-31/01		08/22	08/22	.00	6,945.00	6,945.00-
RC	000068		X01 CA.CK.REG&MISC. 7/30-31/01		08/22	08/22	.00	33.00	33.00-
RC	000068		JULY N S F CKS.		08/22	08/22	.00	255.00	255.00-
RC	000071		F01 CA.CK.REG & CEC 8/1-21/01		08/22	08/22	.00	22,598.00	22,598.00-
RC	000071		X01 CA.CK.REG & MISC 8/1-21/01		08/22	08/22	.00	171.00	171.00-
JV	000078		SUM'01REFDS RF833-2006REG#4077		08/24	08/28	.00	58.00	58.00-
MW	000383		8/24/01 FISCAL REV. FUND		08/24	08/27	.00	45.00	45.00-
MW	000382		8/21/01 FISCAL REV. FUND		08/27	08/27	.00	72.00	72.00-
MW	000389		8/27/01 FISCAL REV. FUND		08/27	08/29	.00	72.00	72.00-
RC	000079		ACCTG COLL 8/1-8/24/01		08/27	08/27	.00	135.00	135.00-
RC	000081		F01 TELREG 7/1-7/31/01		08/27	08/27	.00	35,019.00	35,019.00-

7/11/03  
g 8/11/03

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 02 REVENUE PASADENA CITY COLLEGE 01-02 PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000081	F01 CR. CD. REG	7/1-7/31/01	08/27	08/27	.00	13,296.00	13,296.00
RC	000081	X01 CR. CD. REG	7/1-7/31/01	08/27	08/27	.00	2,899.00	2,899.00
MW	000390	8/27/01 FISCAL REV. FUND		08/28	08/29	.00	45.00	45.00
MW	000397	8/29/01 FISCAL REV. FUND		08/29	08/30	.00	27.00	27.00
RC	000086	CA. CK. SBS 8/1-8/21/01		08/29	08/29	.00	24.00	24.00
RC	000093	F01 REG & CEC 8/22-8/27/01		08/30	08/30	.00	6,623.00	6,623.00
RC	000093	X01 REG & MISC 8/22-8/27/01		08/30	08/30	.00	51.00	51.00
RC	000094	ACCTG COLL 8/8-8/29/01		08/30	08/30	.00	45.00	45.00
MW	000399	8/29-8/30 FISCAL REV. FUND		08/31	09/05	.00	9.00	9.00
MW	000472	9/4/01 FISCAL REV. FUND		09/05	09/07	.00	45.00	45.00
JV	000119	TFR DEF INC TO FY 01-02		09/06	09/11	.00	160,838.00	160,838.00
JV	000119	TFR DEF INC TO FY 01-02		09/06	09/12	.00	47,378.20	47,378.20
RC	000115	F01 REG. & CEC 8/28-8/30/01		09/06	09/06	.00	3,537.00	3,537.00
RC	000115	X01 & MISC REG 8/28-8/30/01		09/06	09/06	.00	36.00	36.00
MW	000476	9/5-9/6 FISCAL REV FUND		09/07	09/10	.00	9.00	9.00
RC	000123	CA. CK. SBS 8/21-8/23/01		09/07	09/07	.00	12.00	12.00
RC	000125	ACCTG COLL 8/24-9/10/01		09/10	09/10	.00	59.00	59.00
AD	091101	Load Adopted Budget		09/11	09/11	.00	.00	436,448.00
MW	000504	9/11-9/12 FISCAL REV. FUND		09/13	09/14	.00	9.00	9.00
RC	000133	F01 REG & CEC 9/1-11/01		09/13	09/13	.00	4,598.00	4,598.00
RC	000133	X01 REG & MISC 9/1-11/01		09/13	09/13	.00	31.00	31.00
RC	000139	CA. CK. SBS 8/24-31/01		09/17	09/17	.00	12.00	12.00
RC	000139	AUG. NSF CKS		09/17	09/17	.00	300.00	300.00
JV	000148	SUMMER REFUNDS 01 REG#4098		09/19	09/26	.00	749.00	749.00
RC	000145	F01 REG 8/1-8/31/01		09/19	09/19	.00	15,357.00	15,357.00
RC	000145	X01 REG. & MISC 8/1-8/31/01		09/19	09/19	.00	69.00	69.00
RC	000145	F01 TELREG 8/1-8/31/01		09/19	09/19	.00	9,483.00	9,483.00
MW	000511	9/14,17,18/01 FISCAL REV FUND		09/20	09/20	.00	9.00	9.00
MW	000622	9/21/01 FISCAL SERV. REV. FUND		09/21	09/25	.00	11.00	11.00
RC	000151	ACCTG COLL 8/24-9/21/01		09/21	09/21	.00	71.00	71.00
RC	000152	ACCTG COLL 9/20-9/21/01		09/21	09/21	.00	36.00	36.00
MW	002304	CASTANEDAS, MIRTA		09/24	11/20	.00	12.00	12.00
CW	003059	KIM, KING MI FALL '01 RFUND		09/26	10/10	.00	12.00	12.00
CW	003091	KONG, KITISUPCHAI PITI FA '01 RF		09/26	10/10	.00	12.00	12.00
CW	003110	JUNZE, KATRINA ANN FA '01 RF		09/26	10/10	.00	12.00	12.00
CW	003455	MEDRANO, RICHARD A FALL '01 RF		09/27	10/10	.00	12.00	12.00
RC	000161	CA. CK. SBS 9/4-9/11/01		09/27	09/27	.00	24.00	24.00
JV	000181	FAL RF REG4099-4105RF2065-4000		09/30	10/02	.00	8,796.00	8,796.00
MW	003059	KIM, KONG MI FALL '01 REFUND		10/05	10/10	.00	12.00	12.00
MW	003091	KONNGKITISUPCHAI, PITI-F '01 RF		10/05	10/10	.00	12.00	12.00
MW	003110	KUNZE, KATRINA ANN FA '01 REFUND		10/05	10/10	.00	12.00	12.00
MW	003455	MEDIANO, RICARDO ANTONIO F01RF		10/05	10/10	.00	12.00	12.00
RC	000167	ACCTG COLL 9/21-9/27/01		10/05	10/05	.00	12.00	12.00
CW	000694	CHILINLGARIAN, ARMENOUJ		10/08	10/30	.00	12.00	12.00

g 8/16/03

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 02 REVENUE PASADENA CITY COLLEGE 01-02

PERIOD ENDING 07/09/03

FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
MW	000920	BELTRAN, MANUEL	FALL'01 REFUND	10/10	10/11	.00	12.00-	12.00
MW	000921	HIDALGO, MELISSA	FALL'01REFUND	10/10	10/11	.00	12.00-	12.00
MW	000924	NAGAI, GAIL	FALL'01 REFUND	10/10	10/11	.00	12.00-	12.00
MW	000927	SHELLY RICARD	G.FALL'01 REFUND	10/10	10/11	.00	12.00-	12.00
MW	000933	FISCAL REV.	FUND 10/8-9/01	10/10	10/11	.00	288.00-	288.00
RC	000198	CA.CK.SBS	9/11-9/20/01	10/10	10/11	.00	72.00-	72.00-
RC	000194	CA.CK.SBS	9/20-9/28/01	10/11	10/11	.00	60.00	60.00-
RC	000194	F01 REG,MISC, & CEC	9/12-28/01	10/11	10/11	.00	831.00	831.00-
RC	000194	SEPT N S F CKS.		10/11	10/11	.00	120.00-	120.00
MW	000931	SUGANO-BRAUD, AISHA	FALL 01 RF	10/12	10/16	.00	12.00-	12.00
MW	000977	FISCAL SERV REV FUND	10/10-12	10/15	10/15	.00	96.00-	96.00
JV	000209	FA'01RFD	MW648-903REG4111-4112	10/16	10/24	.00	2,799.00-	2,799.00
JV	000212	FA'01RFD	MW3901-4593REG4106-07	10/16	10/24	.00	3,508.00-	3,508.00
MW	000992	FISCAL REV.	FUND 10/15/01	10/16	10/17	.00	36.00-	36.00
RC	000207	ACCTG COLL	9/21-10/16/01	10/16	10/16	.00	96.00-	96.00-
MW	001004	FISCAL SERV REV FUND	10-16/17	10/18	10/22	.00	105.00-	105.00
RC	000218	FISCAL REV.	FUND 10/18/01	10/19	10/22	.00	24.00	24.00-
RC	000218	ACCTG COLL	10/16-10/19/01	10/19	10/19	.00	27.00-	27.00-
MW	001007	10/22/01 FISCAL SERV REV FUND		10/23	10/23	.00	60.00-	60.00
RC	000226	CR.CD.REG.	9/1-9/28/01	10/25	10/25	.00	30.00	30.00-
RC	000233	SEPT.TELREG,REVSL, & BANK FEES		10/25	10/25	.00	72.00	72.00-
RC	000233	ACCTG COLL	10/19-10/25/01	10/25	10/25	.00	30.00	30.00-
MW	001015	OCT 23-25 FISCAL REV FUND		10/26	10/29	.00	57.00-	57.00-
MW	001015	CORRECT	10/23-25 REV.	10/26	11/02	.00	57.00-	57.00
MW	001015	10/23-25 FISCAL REV FUND		10/26	11/02	.00	57.00-	57.00
JV	000251	FALL RF'01	MW3950-975 REG#4117	10/30	10/31	.00	264.00-	264.00
MW	001022	FISCAL SERV REV FUND	10/26-29	10/30	10/31	.00	12.00-	12.00-
MW	001022	TO REVERSE	1/26,29/01	10/30	11/09	.00	12.00-	12.00
MW	001022	10/26,29/01 FISCAL REV FUND		10/30	11/09	.00	12.00-	12.00
RC	000245	CA.CK.SBS	10/1-10/9/01	10/30	10/30	.00	24.00	24.00-
RC	000249	CA.CK.SBS	10/10-10/16/01	10/30	10/30	.00	36.00	36.00-
MW	001027	10/30/01 FISCAL REV FUND		10/31	11/01	.00	12.00-	12.00
MW	001096	11/2/01 FISCAL REV FUND		11/05	11/06	.00	12.00-	12.00
RC	000247	ACCTG COLL.	10/5-11/2/01	11/05	11/05	.00	11.00	11.00-
RC	000269	CA.CK.REG.	10/1-31/01	11/06	11/06	.00	2,663.00-	2,663.00-
JV	000277	FA01RF	MW1031-1094REG4130-4131	11/07	11/20	.00	581.00-	581.00
MW	001135	NOV 5-7 FISCAL REV FUND		11/08	11/09	.00	74.00-	74.00
MW	001162	11/8-9/01 FISCAL SERV FUND		11/13	11/14	.00	12.00-	12.00
JV	000285	FA'01 RFD	MW113-1138REG#4134	11/14	11/20	.00	150.00-	150.00
MW	001163	11/13/01 FISCAL SERV REV FUND		11/14	11/14	.00	12.00-	12.00
JV	000288	FALL'01 RFD	MW978-990 REG#4118	11/15	11/16	.00	122.00-	122.00
RC	000289	ACCTG COLL	11/7-11/16/01	11/16	11/16	.00	27.00	27.00-
RC	000290	ACCTG COLL	10/9-11/16/01	11/16	11/16	.00	23.00	23.00-
MW	001182	11/16-20/01 FISCAL REV FUND		11/21	11/26	.00	24.00-	24.00

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FND OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
MW 001184	FISCAL SERV REV FUND	11/21/01	11/26	11/27	.00	12.00-	12.00
RC 000312	ACCTG COLLECTION	11/27/01	11/27	11/27	.00	12.00-	12.00-
MW 001188	FISCAL SERV REV FUND	11/26-27	11/28	11/30	.00	12.00-	12.00
MW 001204	FISCAL REV FUND	11/29/01	11/30	12/04	.00	12.00-	12.00
RC 000319	CA.CK.SBS	10/16-10/31/01	11/30	11/30	.00	48.00-	48.00-
RC 000319	OCT 2001 N S F CKS		11/30	11/30	.00	12.00-	12.00
RC 000320	ACCTG COLL	11/20-12/03/01	12/05	12/05	.00	144.00-	144.00-
RC 000330	CA.CK.S02 REG	11/1-11/27/01	12/05	12/05	.00	15,927.00-	15,927.00-
RC 000330	CA.CK.F01 REG &MISC	11/1-27/01	12/05	12/05	.00	1,079.00-	1,079.00-
RC 000331	CA.CK.SBS	11/1-11/20/01	12/05	12/05	.00	108.00-	108.00-
RC 000335	CA.CK.S01 REG	11/28-11/30/01	12/06	12/06	.00	11,657.00-	11,657.00-
RC 000335	CA.CK.F01 REG	11/28-11/30/01	12/06	12/06	.00	12.00-	12.00-
RC 000353	ACCTG COLL	11/21-12/13/01	12/14	12/14	.00	18.00-	18.00-
JV 000368	FALL'01 REFND MW	#1250-1286	12/17	01/03	.00	179.00-	179.00-
MW 001376	FISCAL REV FUND	12/11-14/01	12/17	12/18	.00	12.00-	12.00
RC 000360	CA.CK.S02 REG	12/3-12/10/01	12/17	12/17	.00	28,262.00-	28,262.00-
RC 000360	CA.CK.F01 & MIS REG	12/3-10/01	12/17	12/17	.00	29.00-	29.00-
RC 000364	CA.CK.SBS	11/21-11/29/01	12/18	12/18	.00	12.00-	12.00-
RC 000364	NOV N S F CKS		12/18	12/18	.00	36.00-	36.00-
RC 000373	ACCTG COLL	11/7-12/18/01	12/19	12/19	.00	227.00-	227.00-
RC 000345	CR.CD.REG.X01 & MIS	10/1-31/01	01/02	01/02	.00	467.00-	467.00-
RC 000345	TELRG,BNK FEES,ETC	10/1-31/01	01/02	01/02	.00	24.00-	24.00-
RC 000380	CR.CD.REG.F01 & MIS	11/1-30/01	01/02	01/02	.00	81.00-	81.00-
RC 000380	CR.CD.REG.S02	11/1/01-11/30/01	01/02	01/02	.00	9,079.00-	9,079.00-
RC 000380	TELRG,CHG BKS,ETC	11/1-30/01	01/02	01/02	.00	30,108.00-	30,108.00-
RC 000395	CA.CK.F01 REG &MIS	12/11-21/01	01/07	01/07	.00	54.00-	54.00-
RC 000395	CA.CK.S02 REG &CEC	12/11-21/01	01/07	01/07	.00	24,532.00-	24,532.00-
RC 000398	ACCTG COLL	1/21/01-1/8/02	01/08	01/08	.00	60.00-	60.00-
MW 001437	FISCAL SERV REV FUND	1/8-10/02	01/11	01/14	.00	12.00-	12.00-
RC 000404	CA.CK.SBS	12/13-12/21/01	01/11	01/11	.00	480.00-	480.00-
RC 000404	DEC.NSF CKS		01/11	01/11	.00	36.00-	36.00-
RC 000408	ACCTG COLL	12/19/01-1/10/02	01/11	01/11	.00	120.00-	120.00-
RC 000412	ACCTG COLL	1/9-1/14/02	01/14	01/14	.00	10,484.00-	10,484.00-
RC 000415	CA.CK.S02 REG	1/2-1/10/02	01/16	01/16	.00	19.00-	19.00-
RC 000415	CA.CK.F01 & MIS.REG	1/2-10/02	01/16	01/16	.00	348.00-	348.00-
RC 000420	ACCTG COLL	12/19/01-1/15/02	01/16	01/16	.00	81.00-	81.00-
RC 000441	CA.CK.F01,MISC.REG	1/11-22/02	01/23	01/23	.00	13,554.00-	13,554.00-
RC 000441	CA.CK.S02 REG	1/11-1/22/02	01/25	01/25	.00	300.00-	300.00-
RC 000451	ACCTG COLL	1/15-1/25/02	01/28	01/30	.00	132.00-	132.00-
JV 000465	FALL RFNDS'01	RF 1457-1477	01/28	01/30	.00	47.00-	47.00-
RC 000458	ACCTG COLL	1/13/01-1/25/02	01/29	01/28	.00	32,664.00-	32,664.00-
RC 000426	S02 TELREG.LIES FEES	12/1-31/01	01/29	01/29	.00	12,607.00-	12,607.00-
RC 000426	CR.CD.S02 REG	12/3-12/21/01	01/29	01/29	.00	23.00-	23.00-
RC 000426	CR.CD.F01 & MIS.REG	12/3-21/01	01/29	01/29	.00		

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FND	OBJ	COST CENTER	PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC	000464	CA.CK.SBS	1/2-1/16/02	01/29	01/29	.00	36.00	36.00-
RC	000469	CA.CK.S02	REG 1/23-1/26/02	01/30	01/30	.00	3,057.00	3,057.00-
RC	000471	ACCTG COLL.	1/15-/1/30/02	01/30	01/30	.00	108.00	108.00-
CW	001119	HARDY, TRACI D.		02/05	02/05	.00	9.00	9.00-
MW	001505	PAS COMM COLL	FALL-'01 REFUND	02/05	02/05	.00	12.00-	12.00-
MW	001506	TRACI D. HARDY-SUMM	'01 REFUND	02/05	02/05	.00	9.00-	9.00-
RC	000481	CA.CK.SBS	1/17-1/24/02	02/06	02/06	.00	12.00	12.00-
RC	000484	CA.CK.S02	REG 1/28-1/31/02	02/06	02/06	.00	2,900.00	2,900.00-
JV	000487	AP 17 MW206	LAI NANCY	02/07	02/07	.00	11.00	11.00-
RC	000492	ACCTG COLL	1/21-2/7/02	02/07	02/07	.00	154.31	154.31-
RC	000493	ACCTG COLL	2/4-2/7/02	02/07	02/07	.00	48.00	48.00-
JV	000527	F01 REFUND	MW1552-1567 REQ#4188	02/13	03/01	.00	12.00-	12.00-
RC	000505	CA.CK.SBS	1/25-1/31/02	02/14	02/14	.00	48.00	48.00-
RC	000505	JAN 02 NSF	CKS	02/14	02/14	.00	228.00-	228.00-
MW	004977	CHUA, MARL E.		02/15	03/06	.00	12.00	12.00-
RC	000513	ACCTG COLL	2/8-2/19/02	02/19	02/19	.00	12.00	12.00-
MW	005109	DUONG, HUNG VINH		02/20	03/06	.00	12.00	12.00-
MW	005800	LOUSSIKIAN, RITA		02/21	03/06	.00	12.00	12.00-
MW	005849	MAGAT, MARIA		02/21	03/06	.00	12.00	12.00-
MW	006746	CHUN, J.		02/26	03/06	.00	12.00	12.00-
JV	000527	S02 REFND	(REG4188,4189,4191)	02/28	03/01	.00	4,951.00-	4,951.00-
JV	000527	S02REFND/REG4192	4193,4194,4195	02/28	03/01	.00	5,942.00-	5,942.00-
RC	000544	ACCT COLLECTION	2/6-2/28/02	02/28	02/28	.00	84.00	84.00-
RC	000545	ACCTG COLLECTION	2/26-2/28/02	02/28	02/28	.00	12.00	12.00-
RC	000560	CA.CK.S02	REG. & MIS. 2/1-28/02	03/04	03/04	.00	2,527.00	2,527.00-
RC	000563	CA.CK.SBS	2/1-2/21/02	03/04	03/04	.00	144.00	144.00-
MW	001726	FISCAL SERV REV	FUND 3/1,4-5/2	03/06	03/08	.00	180.00-	180.00-
RC	000568	CR.CD.S02	REG & MIS 1/01-31/02	03/06	03/06	.00	17,943.00	17,943.00-
RC	000568	JAN.TELREG	LESS BNK FEES ETC.	03/06	03/06	.00	6,420.00	6,420.00-
JV	000572	SP02REFDS#4838	-6880,MW1678-1705	03/07	03/15	.00	227.00-	227.00-
MW	001727	FISCAL SERV REV	FUND 3/6/2	03/07	03/08	.00	36.00	36.00-
JV	000584	SPRING'02	RFND RF#5746 REQ4196	03/12	03/13	.00	12.00	12.00-
MW	001750	FISCAL SERV REV	FUND 3/7-8,11	03/12	03/13	.00	96.00	96.00-
MW	001757	FISCAL SERV REV	FUND 3/12/02	03/12	03/14	.00	24.00	24.00-
RC	000599	N.S.F.CKS	FEBRUARY 2002	03/16	03/19	.00	144.00-	144.00-
MW	001769	FISCAL SERV REV	FUND 3/17-18	03/19	03/20	.00	36.00-	36.00-
RC	000595	ACCT'G COLLECTION	2/26-3/14/02	03/19	03/19	.00	96.00	96.00-
RC	000601	ACCTG COLL	3/8-3/18/02	03/19	03/19	.00	192.00-	192.00-
RC	000610	FEB.'02	TEL REG & BANK FEES	03/20	03/20	.00	48.00	48.00-
RC	000610	CR.CD.REG	S02 2/1-2/28/02	03/20	03/20	.00	1,259.00-	1,259.00-
MW	001776	FISCAL SERV REV	FUND 3/19-20	03/21	03/22	.00	24.00	24.00-
MW	001781	FISCAL SERV REV	FUND 3/21-22	03/25	03/26	.00	36.00	36.00-
RC	000625	CA.CK.SBS	03/08-03/14/02	03/26	03/26	.00	120.00	120.00-
RC	000629	S02	REG 3/1-22/02	03/28	03/28	.00	348.00	348.00-

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MW	001841	FISCAL SERV REV FUND	03/27-29/2	04/01	04/02	.00	12.00-	12.00
JV	000647	SP'02RFDS MW1704-1840	REG#4216	04/03	04/03	.00	180.00-	180.00
RC	000645	CA.CK.SBS	3/15-3/20/02	04/03	04/03	.00	12.00-	12.00
RC	000648	ACCTG COLL	4/1-4/3/02	04/03	04/03	.00	192.00-	192.00
MW	001854	FISCAL SERV REV FUND	4/1-3/02	04/04	04/09	.00	12.00-	12.00
RC	000655	ACCTG COLL	3/12-4/8/02	04/08	04/08	.00	31.00-	31.00
RC	000658	CA.CK.SBS	03/20-03/28/02	04/09	04/09	.00	24.00-	24.00
RC	000658	CA.CK.S02	REG 3/25-3/29/02	04/09	04/09	.00	132.00-	132.00
MW	001885	FISCAL SERV REV FUND	4/4,8-10	04/11	04/15	.00	12.00-	12.00
MW	001892	FISCAL REV FUND	4/11-12,15-16	04/17	04/18	.00	36.00-	36.00
RC	000696	ACCTG COLL	4/15-4/18/02	04/18	04/18	.00	12.00-	12.00
MW	001900	FISCAL SERV REV FUND	4/17-18	04/19	04/22	.00	12.00-	12.00
MW	001920	FISCAL SERV REV FUND	4/23-25	04/26	04/29	.00	60.00-	60.00
RC	000726	CA.CK.SBS	4/01-4/16/02	04/29	04/29	.00	957.00-	957.00
RC	000733	CA.CK.S02 & MISC	4/1-4/23/02	04/30	04/30	.00	168.00-	168.00
RC	000759	ACCTG COLL	4/18-5/2/02	05/03	05/03	.00	467.00-	467.00
RC	000765	CA.CK.S02 & MISC	4/24-4/30/02	05/06	05/06	.00	132.00-	132.00
RC	000769	CR.CD.REG.	3/1-3/29/02	05/06	05/06	.00	36.00-	36.00
RC	000772	CA.CK.SBS	04/17-04/23/02	05/06	05/06	.00	12.00-	12.00
RC	000782	ACCTG COLL	4/26-5/7/02	05/07	05/07	.00	60.00-	60.00
RC	000798	CR.CD.REG.S02 & MISC	4/1-30/02	05/13	05/13	.00	72.00-	72.00
RC	000803	CA.CK.REG.S02 & MISC	5/1-10/02	05/14	05/14	.00	347.00-	347.00
RC	000823	ACCTG COLL	5/13-5/16/02	05/16	05/16	.00	47.00-	47.00
JV	000828	SPRING REFUNDS	MW1925-2012	05/20	05/20	.00	60.00-	60.00
RC	000826	CA.CK.SBS	4/25-4/30/02	05/20	05/20	.00	12.00-	12.00
MW	002046	FISCAL SERV REV FUND	5/16-17/2	05/21	05/22	.00	24.00-	24.00
RC	000836	ACCTG COLL	5/20-5/22/02	05/22	05/22	.00	12.00-	12.00
MW	002047	FISCAL SERV REV FUND	5/21-22/2	05/23	05/23	.00	24.00-	24.00
MW	002059	FISCALSERV REV FUND	5/28-29/02	05/30	05/31	.00	57.00-	57.00
RC	000870	X02 & MIS.CA.CK.REG.	5/13-24/02	05/30	05/30	.00	9.00-	9.00
RC	000877	ACCTG COLL	5/22-5/31/02	05/31	05/31	.00	58.00-	58.00
RC	000881	X02 & MISC	CA.CK.5/28-5/31/02	06/04	06/04	.00	81.00-	81.00
RC	000888	X02 & MISC	CR.CD.REG.5/1-31/02	06/04	06/04	.00	24.00-	24.00
RC	000897	CA.CK.SBS	5/16-5/23/02	06/06	06/06	.00	9.00-	9.00
JV	000859	CORR.RC#877	R#96829	06/08	06/08	.00	12.00-	12.00
RC	000922	CA.CK.SBS	5/24-5/31/02	06/11	06/11	.00	12.00-	12.00
RC	000932	MAY '02 NSF	CKS	06/11	06/11	.00	56.50-	56.50
RC	000930	ACCTG COLL	4/12-6/12/02	06/12	06/12	.00	12.00-	12.00
RC	000998	CA.CK.SBS	6/3-6/17/02	06/13	06/13	.00	33.97-	33.97
RC	001003	ACCTG COLL	6/17/02	06/27	06/27	.00	24.00-	24.00
JV	001011	ADJ JV	682 (PAY INV#6563)	06/27	06/27	.00	12.00-	12.00
JV	001011	ADJ JV	682 (PAY INV 6562)	06/28	06/28	.00	18.94-	18.94
RC	001028	ACCTG COLL	5/10-6/28/02	06/28	07/03	.00	110,238.23-	110,238.23
JV	001113	TRF HLTH CNTR	00-01 REV/DIFRD	06/30	07/23	.00		

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DISTRICT 02	REVENUE	PASADENA CITY COLLEGE	01-02	PERIOD ENDING 07/09/03		
FND OBJ	COST CENTER PROGRAM	DOC. DATE	POST DATE	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENDING BALANCE
RC 001037	CA.CK.SBS 6/18-6/28/02	07/02	07/03	.00	12.00	12.00-
AP 000016	TANG,YING S'02 REGIS REF	07/05	07/05	.00	12.00-	12.00
CURRENT TRANSACTION TOTALS				436,448.00	471,254.69	34,806.69-
ENDING BALANCE 07/YE				436,448.00	471,254.69	34,806.69-
BEGINNING BALANCE 07/01				.00	.00	.00
CURRENT TRANSACTION TOTALS				436,448.00	471,254.69	34,806.69-
* * *ACCOUNT TYPE TOTALS * * *				436,448.00	471,254.69	34,806.69-

*Je 11/9/03 28*  
*g 8/4/03*

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 02

PASADENA CITY COLLEGE 01-02

FUND 03 TOTALS

PERIOD ENDING 07/09/03

	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
ASSETS	.00	.00	.00	.00
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	436,448.00	471,254.69	.00	34,806.69-
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

0 = ( ASSETS + EXPENDITURES ) - ( LIABILITIES + FUND BALANCE + REVENUE + ENCUMBR OFFSET )  
 471,254.69- = ( .00 + .00 ) - ( .00 + 471,254.69 + .00 )

\*\*\*\*\* O U T O F B A L A N C E \*\*\*\*\*

30 7/18/03 32 33  
g 8/11/03

PASADENA AREA COMMUNITY COLLEGE DISTRICT  
CUMULATIVE TRANSACTION REPORT  
BY OBJECT

DISTRICT 02

PASADENA CITY COLLEGE 01-02

DISTRICT 02 TOTALS		PERIOD ENDING 07/09/03		
	BEG. BALANCE/ ADJ. BUDGET	YEAR-TO-DATE TRANSACTIONS	ENCUMBRANCES	ENDING BALANCE
ASSETS	.00	.00	.00	.00
LIABILITIES	.00	.00	.00	.00
FUND BALANCE	.00	.00	.00	.00
REVENUE	436,448.00	471,254.69	34,806.69-	
EXPENSE	.00	.00	.00	.00
CONTROL ACCOUNTS	.00	.00	.00	.00
UNKNOWN	.00	.00	.00	.00

\*\*\*\*\* END OF REPORT GLD144-02 \*\*\*\*\*

JC 7/8/03 36  
g 8/11/03

**TAB 6**

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

### 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.

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~~ 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 ~~without the authority to levy a fee~~. Only services provided ~~for fee~~ 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 ~~1983/84~~ 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. // *BY DATE OF CLAIM/MAY CLAIM COSTS UNDER ONE OF TWO ALTERNATIVES: // EITHER Fee/AMOUNT PREVIOUSLY COLLECTED PER STUDENT AND EMPLOYMENT COUNT // OR // 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 11A.Y. through 4 above // Listing this alternative, the total amount claimed would be Item 11B.Y. multiplied by Item 11B.Z. // with the total amount reimbursed increased by the applicable ImpACT/Price Deflator

Alternative 2 // Actual Costs of Claim Year for Providing 1986-87 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 1987-88 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 were 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.

0350d

## CALIFORNIA COMMUNITY COLLEGES

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 MERTEES  
Chancellor

DM:PR:mh

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

State of California

# Memorandum

March 22, 1989

Deborah Fraga-Decker  
Program Analyst  
Commission on State Mandates

from : Department of Finance

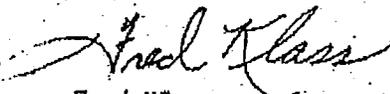
Proposed Amendments to Parameters and Guidelines for Claim No. CSM-4206 -- Chapter 1, Statutes of 1984, 2nd E.S. and Chapter 1118, Statutes of 1987 -- Health Fee Elimination

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, State Controller's Office  
Pat Ryan, Chancellor's Office, Community College  
Juliet Musso, Legislative Analyst's Office  
Richard Frank, Attorney General

LR:1988-2

GOVERNOR'S OFFICE

GEORGE DEUKMEJIAN, Governor

## CALIFORNIA COMMUNITY COLLEGES

100 NINTH STREET  
 SACRAMENTO, CALIFORNIA 95814  
 916-445-8752 445-1163



April 3, 1989

Mr. Robert W. Eich  
 Executive Director  
 Commission on State Mandates  
 170 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 118, 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 MERTES  
 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.

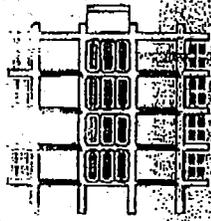
If you have any questions, please call Glen Beatie at 3-8137.

Sincerely,

Glenn Haas, Assistant Chief  
 Division of Accounting

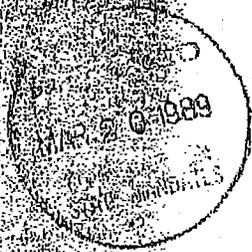
GH/GB:dvl

SC81822



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

HR/60



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 Montes 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

- 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.

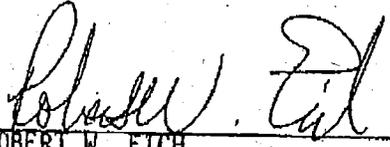
Mr. Parker stated that Commission staff had misstated the events that resulted in the claimant having to pay attorneys' fees to a pupil's guardians, and because of case law, courts do not have any discretion in awarding attorney's fees. Mr. Parker stated that because state legislation has codified the 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.

Minutes  
Hearing of May 25, 1989  
Page 6

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



g 8/14-3

LRSF080 DIVISION OF ACCOUNTING AND REPORTING 05/12/03  
BUREAU OF LOCAL REIMBURSEMENTS 15:01:36  
PAYMENTS FOR A CLAIM/PAYEE/PROGRAM/FISCAL YEAR

PAYEE NBR: S19335 PAYEE NAME: PASADENA AREA COMM COL DIST PGM NBR: 29  
CH NBR: 6870-295-0001-1999 PGM: HEALTH FEE ELIMINATION CH 1/84 FY: 1999/2000  
TOT FYTD PAID AMT: 83,464.00 BAL DUE CLM: .00 PGM TYPE: MAN  
FNL APRVD CLM AMT: .00 BAL DUE ST: .00 1ST TIME PGM: N

CL TYP PMT TYP MAN PAY DT FILED CLAIM AMT ADJUSTMENT AMT  
APPROVED AMT FNL APRVD AMT PRO PCT AMT BEFORE AR BAL DUE CLAIM  
AR OFFSET AMT WARRANT AMT ISSUE DATE CLAIM SCHED NBR

A A03 N 01/16/2001 83,464.00 .00  
83,464.00 57,365.00 1.00000000 57,365.00 .00  
.00 57,365.00 08/01/2001 MA10501A

E E01 N 01/18/2000 84,641.00 .00  
84,641.00 84,641.00 .30835184 26,099.00 58,542.00  
.00 26,099.00 03/09/2000 MA90516E

DC982051 Last page...

PAYEE NBR: S19335 PGM NBR: 29 FY: 1999/2000  
PF10= CLMS FOR A PGM/FY PF11= WARRANT INFORMATION PF9= INTEREST PAY INFO

*D penalties*

*Gross Paid \$83,464*

*offsets 0*

*Net Paid \$83,464*

*3L/1*

*J 9/12/03*

LRSF080 DIVISION OF ACCOUNTING AND REPORTING 05/12/03  
BUREAU OF LOCAL REIMBURSEMENTS 15:02:32  
PAYMENTS FOR A CLAIM/PAYEE/PROGRAM/FISCAL YEAR

PAYEE NBR: S19335 PAYEE NAME: PASADENA AREA COMM COL DIST PGM NBR: 29  
CH NBR: 6870-295-0001-2000 PGM: HEALTH FEE ELIMINATION CH 1/84 FY: 2000/2001  
TOT FYTD PAID AMT: 19,270.00 BAL DUE CLM: 256,148.00 PGM TYPE: MAN  
FNL APRVD CLM AMT: 256,148.00 BAL DUE ST: .00 1ST TIME PGM: N

CL TYP PMT TYP MAN PAY DT FILED CLAIM AMT ADJUSTMENT AMT  
APPROVED AMT FNL APRVD AMT PRO PCT AMT BEFORE AR BAL DUE CLAIM  
AR OFFSET AMT WARRANT AMT ISSUE DATE CLAIM SCHED NBR

E	E01	N	01/16/2001	66,771.00	.00
	66,771.00		66,771.00	.28860275	19,270.00
	.00		19,270.00	03/08/2001	MA00514E

DC982051 Last page...

PAYEE NBR: S19335 PGM NBR: 29 FY: 2000/2001

F10= CLMS FOR A PGM/FY PF11= WARRANT INFORMATION PF9= INTEREST PAY INFO

*Openalties*

*Gross Paid \$19,270*  
*Offsets 0*  


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*Net Paid \$19,270*

*3L/11*

**TAB 9**



22 11/10  
g 8/11-3

STEVE WESTLY  
California State Controller

May 19, 2003

Peter Hardash  
Vice President, Administrative Services  
Pasadena Area CCD  
1570 East Colorado Boulevard  
Pasadena, California 91106

Dear Mr.Hardash:

This letter is to confirm that the State Controller's Office has scheduled an audit of the Pasadena Area CCD's legislative mandated Health Fee Elimination program, Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, for the period of July 1, 1999 through June 30, 2002. The entrance conference has been scheduled for Wednesday, May 21, 2003, at 2 p.m. The meeting will be held at the above address.

Our audit will include a review of your department's internal controls as well as program revenue and expenditures. At the time of the entrance conference, please have available for examination your copy of claims and all supporting working papers and documents for the audit period.

In addition, we will need copies of the district's Comprehensive Annual Financial Report, and any report of independent or internal audits performed for the audit period. This would include any single audit performed in accordance with OMB Circular A-133. Please refer to the attached additional records request.

Our examination will be conducted in accordance with generally accepted government auditing standards. We would appreciate your office furnishing reasonable working accommodations, and making the necessary records available to our audit staff in a timely manner.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874  
SACRAMENTO 300 Capitol Mall, Suite 518, Sacramento, CA 95814 (916) 324-8907  
LOS ANGELES 600 Corporate Pointe, Suite 1000, Culver City, CA 90230 (310) 342-5656

Mr. Peter Hardash

-2-

May 19, 2003

*g. 8/11/03*

If you have any questions, please contact me at (310) 342-5639.

Sincerely,



Art Luna  
Audit Manager  
Compliance Audits Bureau  
Division of Audits

LA:kr

Attachment-Records Request

cc. James L. Robbins  
Maximus  
Jim L. Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
Janny Chan, Auditor  
Division of Audits

*g 8/11/03*

Pasadena Are CCD  
Health Fee Elimination Program  
Records Request Based on Preliminary Review  
July 1, 1999 through June 30, 2002

1. Organizational chart
2. Chart of accounts
3. General Ledger accounts supporting disbursements
4. Policy and procedure manuals for the Health Fee Elimination Program
5. Detailed supporting documents for the claimed costs.

DISTRICT'S  
INCORRECT REDUCTION CLAIM  
FILED WITH THE  
COMMISSION ON STATE  
MANDATES  
ON JULY 3, 2006

**COMMISSION ON STATE MANDATES**

980 NINTH STREET, SUITE 300

SACRAMENTO, CA 95814

PHONE: (916) 323-3562

FAX: (916) 445-0278

E-mail: csminfo@csm.ca.gov



July 13, 2006

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

Ms. Ginny Brummels  
Division of Accounting and Reporting  
State Controller's Office  
3301 C Street, Suite 501  
Sacramento, CA 95816

**Re: Incorrect Reduction Claim***Health Fee Elimination*, 06-4206-I-13

Pasadena Area Community College District, Claimant

Education Code Section 76355

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

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

Dear Mr. Petersen and Ms. Brummels:

On July 3, 2006, the Pasadena Area Community College District filed an incorrect reduction claim (IRC) with the Commission on State Mandates (Commission) based on the *Health Fee Elimination* program for fiscal years 1999-2000, 2000-2001, and 2001-2002. Commission staff determined that the IRC filing is complete.

Government Code section 17551, subdivision (b), requires the Commission to hear and decide upon claims filed by local agencies and school districts that the State Controller's Office (SCO) has incorrectly reduced payments to the local agencies or school districts.

**SCO Review and Response.** Please file the SCO response and supporting documentation regarding this claim within 90 days of the date of this letter. Please include an explanation of the reason(s) for the reductions and the computation of reimbursements. All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge, information or belief. The Commission's regulations also require that the responses (opposition or recommendation) filed with the Commission be simultaneously served on the claimants and their designated representatives, and accompanied by a proof of service (Cal. Code Regs., tit. 2, § 1185.01).

The failure of the SCO to respond within this 90-day timeline shall not cause the Commission to delay consideration of this IRC.

**Claimant's Rebuttal.** Upon receipt of the SCO response, the claimant and interested parties may file rebuttals. The rebuttals are due 30 days from the service date of the response.

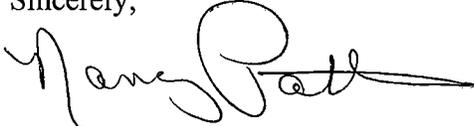
**Prehearing Conference.** A prehearing conference will be scheduled if requested.

**Public Hearing and Staff Analysis.** The public hearing on this claim will be scheduled after the record closes. A staff analysis will be issued on the IRC at least eight weeks prior to the public hearing.

**Dismissal of Incorrect Reduction Claims.** Under section 1188.31 of the Commission's regulations, IRCs may be dismissed if postponed or placed on inactive status by the claimant for more than one year. Prior to dismissing a claim, the Commission will provide 60 days notice and opportunity for the claimant to be heard on the proposed dismissal.

Please contact Victoria Soriano at (916) 323-8213 if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nancy Patton", with a long horizontal flourish extending to the right.

NANCY PATTON  
Assistant Executive Director

Enclosure: Incorrect Reduction Claim Filing - (SCO only)

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

JUL 03 2006

COMMISSION ON  
STATE MANDATES

Claim No. 06-4206-J-13

**INCORRECT REDUCTION CLAIM FORM**

Local Agency or School District Submitting Claim

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

Contact Person

Telephone Number

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

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

Address

Peter Hardash, Vice-President Administrative Services  
Pasadena Area Community College District  
1570 East Colorado Blvd.  
Pasadena, CA 91106-2003

Representative Organization to be Notified

Telephone Number

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

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>
1999-00	\$83,464
2000-01	\$107,550
2001-02	\$184,927
Total Amount	\$375,941

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

Name and Title of Authorized Representative

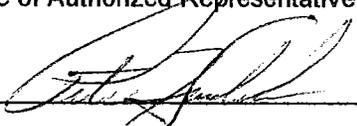
Telephone No.

Peter Hardash, Vice-President Administrative Services

Voice: 626-585-7258  
Fax: 626-585-7968  
E-Mail: pihardash@pasadena.edu

Signature of Authorized Representative

Date

X  June 28, 2006

1 Claim Prepared by:  
2 Keith B. Petersen  
3 SixTen and Associates  
4 5252 Balboa Avenue, Suite 807  
5 San Diego, California 92117  
6 Voice: (858) 514-8605  
7 Fax: (858) 514-8645

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

11 INCORRECT REDUCTION CLAIM OF: )  
12 )  
13 ) No. CSM \_\_\_\_\_  
14 )  
15 ) Chapter 1, Statutes of 1984, 2nd E.S.  
16 ) Chapter 1118, Statutes of 1987  
17 )  
18 **PASADENA AREA** )  
19 Community College District, )  
20 )  
21 ) **Health Fee Elimination**  
22 )  
23 ) Annual Reimbursement Claims:  
24 )  
25 ) Fiscal Year 1999-00  
26 ) Fiscal Year 2000-01  
27 ) Fiscal Year 2001-02  
28 )

INCORRECT REDUCTION CLAIM FILING

29 PART I. AUTHORITY FOR THE CLAIM

30 The Commission on State Mandates has the authority pursuant to Government  
31 Code Section 17551(d) to "... to hear and decide upon a claim by a local agency or  
32 school district, filed on or after January 1, 1985, that the Controller has incorrectly  
33 reduced payments to the local agency or school district pursuant to paragraph (2) of  
subdivision (d) of Section 17561." Pasadena Area Community College District

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

1 (hereafter "District") is a school district as defined in Government Code Section 17519.  
2 Title 2, CCR, Section 1185 (a), requires the claimant to file an incorrect reduction claim  
3 with the Commission.

4 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),  
5 requires incorrect reduction claims to be filed no later than three years following the  
6 date of the Controller's remittance advice notifying the claimant of a reduction. A  
7 Controller's audit report dated March 17, 2004, has been issued. The audit report  
8 constitutes a demand for repayment and adjudication of the claims. On July 20, 2004,  
9 the Controller issued "results of review letters" reporting the audit results for the FY  
10 1999-00, FY 2000-01 and FY 2001-02 claims, and demanding payment of amounts due  
to the state.

12 There is no alternative dispute resolution process available from the Controller's  
13 office. In response to an audit issued March 10, 2004, Foothill-De Anza Community  
14 College attempted to utilize the informal audit review process established by the  
15 Controller to resolve factual disputes. Foothill-De Anza was notified by the Controller's  
16 legal counsel by letter of July 15, 2004 (attached as Exhibit "A"), that the Controller's  
17 informal audit review process was not available for mandate audits and that the proper  
18 forum was the Commission on State Mandates.

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

20 The Controller conducted a field audit of the District's annual reimbursement  
21 claims for the costs of complying with the legislatively mandated Health Fee Elimination

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

---

1 Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session and Chapter 1118,  
2 Statutes of 1987) for the period of July 1, 1999 through June 30, 2002. As a result of  
3 the audit, the Controller determined that \$375,941 of the claimed costs are  
4 unallowable:

5	<u>Fiscal</u>	<u>Amount</u>	<u>Audit</u>	<u>SCO</u>	<u>Amount Due</u>
6	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u>&lt;State&gt; District</u>
7	1999-00	\$83,464	\$83,464	\$83,464	<83,464>
8	2000-01	\$275,418	\$107,550	\$19,270	\$148,598
9	2001-02	<u>\$319,578</u>	<u>\$184,927</u>	<u>\$46,709</u>	<u>\$87,942</u>
10	Totals	\$678,460	\$375,941	\$149,443	\$153,067

11 Since the District has been paid \$149,443 for these claims, the audit report concludes  
12 that a remaining amount of \$153,067 will be paid by the State. The July 20, 2004  
13 results and review letters state that "the balance due will be forthcoming when  
14 additional funds are made available."

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

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

20 **PART IV. BASIS FOR REIMBURSEMENT**

21 1. Mandate Legislation

22 Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, repealed Education

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

1 Code Section 72246 which had authorized community college districts to charge a  
2 student health services fee for the purpose of providing student health supervision and  
3 services, direct and indirect medical and hospitalization services, and operation of  
4 student health centers. This statute also required the scope of student health services  
5 for which a community college district charged a fee during the 1983-84 fiscal year be  
6 maintained at that level thereafter. The provisions of this statute were to automatically  
7 repeal on December 31, 1987.

8 Chapter 1118, Statutes of 1987, amended Education Code Section 72246 to  
9 require any community college district that provided student health services in 1986-87  
10 to maintain student health services at that level each fiscal year thereafter.

Chapter 8, Statutes of 1993, Section 29, repealed Education Code Section  
12 72246, effective April 15, 1993. Chapter 8, Statutes of 1993, Section 34, added  
13 Education Code Section 76355<sup>1</sup>, containing substantially the same provisions as former

---

<sup>1</sup> Education Code Section 76355, added by Chapter 8, Statutes of 1993, Section 34, effective April 15, 1993, as last amended by Chapter 758, Statutes of 1995, Section 99:

“(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 ten dollars (\$10) for each semester, seven dollars (\$7) for summer school, seven dollars (\$7) for each intersession of at least four weeks, or seven dollars (\$7) 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, 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

1 Section 72246, effective April 15, 1993.

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 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."

1     2.     Test Claim

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

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

13            At a hearing on April 27, 1989, the Commission of State Mandates determined  
14    that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to  
15    apply to all community college districts which provided student health services in fiscal  
16    year 1986-1987 and required them to maintain that level of student health services in  
17    fiscal year 1987-1988 and each fiscal year thereafter.

18     3.     Parameters and Guidelines

19            On August 27, 1987, the original parameters and guidelines were adopted. On  
20    May 25, 1989, those parameters and guidelines were amended. A copy of the  
21    parameters and guidelines, as amended on May 25, 1989, is attached as Exhibit "B."

1 So far as is relevant to the issues presented below, the parameters and guidelines  
2 state:

3 "V. REIMBURSABLE COSTS

4 A. Scope of Mandate

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

8 VI. CLAIM PREPARATION

9 B... 3. Allowable Overhead Cost

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

VII. SUPPORTING DATA

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

17 VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

18 Any offsetting savings the claimant experiences as a direct result  
19 of this statute must be deducted from the costs claimed. In  
20 addition, reimbursement for this mandate received from any  
21 source, e.g., federal, state, etc., shall be identified and deducted  
22 from this claim. This shall include the amount of \$7.50 per full-time  
23 student per semester, \$5.00 per full-time student for summer  
24 school, or \$5.00 per full-time student per quarter, as authorized by  
25 Education Code section 72246(a). This shall also include  
26 payments (fees) received from individuals other than students who  
27 are not covered by Education Code Section 72246 for health  
28 services. ..."

1     4.     Claiming Instructions

2             The Controller has frequently revised claiming instructions for the Health Fee  
3     Elimination mandate. A copy of the September 1997 revision of the claiming  
4     instructions is attached as Exhibit "C." The September 1997 claiming instructions are  
5     believed to be, for the purposes and scope of this incorrect reduction claim,  
6     substantially similar to the version extant at the time the claims which are the subject of  
7     this incorrect reduction claim were filed. However, since the Controller's claim forms  
8     and instructions have not been adopted as regulations, they have no force of law, and,  
9     therefore, have no effect on the outcome of this incorrect reduction claim.

10                     PART V. STATE CONTROLLER CLAIM ADJUDICATION

11             The Controller conducted an audit of the District's annual reimbursement claims  
12     for Fiscal Years 1999-00, 2000-01, and 2001-02. The audit concluded that 45% of the  
13     District's costs, as claimed, are allowable. A copy of the March 17, 2004-audit report  
14     and is attached as Exhibit "D."

15                     VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

16             By letter dated January 21, 2004, the Controller transmitted a copy of its draft  
17     audit report. By phone call on February 17, 2004, the District stated it would not be  
18     providing a written response to the draft audit report. The Controller then issued its final  
19     audit report without change to the adjustments as stated in the draft audit report.

20     /

21     /



1 Regulatory Requirements

2 No particular indirect cost rate calculation is required by statute. The  
3 parameters and guidelines state that "Indirect costs *may be claimed* in the manner  
4 described by the Controller in his claiming instructions." The District claimed these  
5 indirect costs "in the manner" described by the Controller. The correct forms were used  
6 and the claimed amounts were entered at the correct locations. The Controller asserts  
7 that the specific directions for the indirect cost rate calculation in the claiming  
8 instructions are an extension of the parameters and guidelines. It is not clear what the  
9 legal significance of the concept of "extension" might be, regardless, the reference to  
10 the claiming instructions in the parameters and guidelines does not change "may" into a  
"shall." Since the Controller's claiming instructions were never adopted as law, or  
12 regulations pursuant to the Administrative Procedure Act, the claiming instructions are  
13 merely a statement of the ministerial interests of the Controller and not law.

14 CCFS-311

15 In fact, both the District's method and the Controller's FAM-29C method utilize the  
16 same source document, the CCFS-311 annual financial and budget report required by  
17 the state. The difference in the claimed and audited methods is the determination of  
18 which of those cost elements are direct costs and which are indirect costs. Indeed,  
19 federally "approved" rates which the Controller will accept without further action, are  
20 "negotiated" rates calculated by the District and submitted for approval, indicating that  
21 the process is not an exact science, but a determination of the relevance and

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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1 reasonableness of the costs allocation assumptions made for the method used.

2 Unreasonable or Excessive

3 Government Code Section 17561(d)(2) requires the Controller to pay claims,  
4 provided that the Controller may audit the records of any school district to verify the  
5 actual amount of the mandated costs, and may reduce any claim that the Controller  
6 determines is excessive or unreasonable. The Controller is authorized to reduce a  
7 claim only if it determines the claim to be excessive or unreasonable. Here, the District  
8 has computed its indirect cost rate utilizing cost accounting principles from the Office of  
9 Management and Budget Circular A-21, and the Controller has disallowed it without a  
10 determination of whether the product of the District's calculation would, or would not, be  
11 excessive, unreasonable, or inconsistent with cost accounting principles. The OMB  
12 A-21 cost accounting methods are not the intellectual property of the federal  
13 government and can be competently utilized by claimants to generate a reasonable  
14 indirect cost rate without the need for federal approval.

15 Neither state law nor the parameters and guidelines made compliance with the  
16 Controller's claiming instructions a condition of reimbursement. The District has  
17 followed the parameters and guidelines. The burden of proof is on the Controller to  
18 prove that the District's calculation is unreasonable, not to recalculate the rate  
19 according to its unenforceable ministerial preferences. Therefore, the Controller made  
20 no determination as to whether the method used by the District was unreasonable, but,  
21 merely substituted its FAM-29C method for the method reported by the District. The

1 substitution of the FAM-29C method is an arbitrary choice of the Controller, not a  
2 “finding” enforceable either by fact or law. The Controller’s adjustment of the District’s  
3 indirect cost rate should be withdrawn, since no legal or factual basis has been shown  
4 to disallow the indirect cost rate calculation used by the District.

5 **Finding 2: Offsetting health fees understated**

6 The Controller adjusted the reported enrollment and number of students subject  
7 to payment of the health services fee which resulted in a total adjustment of \$287,865  
8 for the three fiscal years.

9 Education Code Section 76355

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

18 Parameters and Guidelines

19 This Controller states that the “*Parameters and Guidelines* specifies that any  
20 offsetting savings or reimbursements received must be identified and deducted.” The  
21 parameters and guidelines actually state:

Incorrect Reduction Claim of Pasadena Area Community College District  
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1           “Any offsetting savings that the claimant experiences as a direct result of  
2 this statute must be deducted from the costs claimed. In addition,  
3 reimbursement for this mandate received from any source, e.g., federal, state,  
4 etc., shall be identified and deducted from this claim. This shall include the  
5 amount of [student fees] as authorized by Education Code Section 72246(a)<sup>2</sup>.”

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

11 Government Code Section 17514

12           Nor can the Controller rely upon Government Code Section 17514 for the  
13 conclusion that to the extent community college districts can charge a fee, they are not  
14 required to incur a cost. Government Code Section 17514, as added by Chapter 1459,  
15 Statutes of 1984, states:

16           “ Costs mandated by the state” means any increased costs which a local  
17 agency or school district is required to incur after July 1, 1980, as a result of any  
18 statute enacted on or after January 1, 1975, or any executive order  
19 implementing any statute enacted on or after January 1, 1975, which mandates  
20 a new program or higher level of service of an existing program within the  
21 meaning of Section 6 of Article XIII B of the California Constitution.”

22 There is nothing in the language of the statute regarding the authority to charge a fee,  
23 any nexus of fee revenue to increased cost, nor any language which describes the

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<sup>2</sup> Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 legal effect of fees collected.

2 Government Code Section 17556

3 Nor can the Controller rely upon Government Code Section 17556 for the  
4 conclusion that there are no claimable costs mandated by the State where the  
5 claimants have the authority to collect a service fee. Government Code Section 17556  
6 as last amended by Chapter 589, Statutes of 1989 states:

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

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

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

20 Fees Collected vs. Fees Collectible

21 This issue is one of student health fees revenue actually received, rather than  
22 student health fees which might be collected. Student fees not collected are student  
23 fees not "experienced" and as such should not reduce reimbursement. Further, the

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 amount "collectible" will never equal actual revenues collected due to changes in  
2 student BOGG eligibility, bad debt accounts, and refunds.

3 Because districts are not required to collect a fee from students for student  
4 health services, and if such a fee is collected, the amount is to be determined by the  
5 District and not the Controller, the Controller's adjustment is without legal basis. What  
6 claimants are required by the parameters and guidelines to do is to reduce the amount  
7 of their claimed costs by the amount of student health services fee revenue actually  
8 received, which the District has done for this incorrect reduction claim. Therefore,  
9 student health fees are merely collectible, they are not mandatory, and it is  
10 inappropriate to reduce claim amounts by revenues not received.

Enrollment and Exempted Student Statistics

12 It is our understanding that the Controller adjusted the reported total student  
13 enrollment and reported number of exempt students based on data available from the  
14 office of the Chancellor of the Community Colleges. The information obtained from the  
15 Chancellor's office is based on information originally provided to the Chancellor by the  
16 District in the normal course of business. The Controller has not provided any factual  
17 basis why the Chancellor's data, subject to review and revision after the fact for several  
18 years, is preferable to the data reported by the District which was available at the time  
19 the claims were prepared. The Controller does not indicate how and why its  
20 determination of "actual" student counts is any more "actual" than the amount reported  
21 on the claims.

Incorrect Reduction Claim of Pasadena Area Community College District  
 1/84; 1118/87 Health Fee Elimination

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**Amounts Paid By The State**

This issue was not an audit finding. The payment received from the state is an integral part of the reimbursement calculation. The Controller changed the FY 1999-00 and FY 2000-01 claim payment amount received from the state without a finding in the audit report.

	Fiscal Year of Claim		
<u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
As Claimed	\$0	\$0	\$ 46,709
As Audited	\$83,464	\$19,270	\$ 46,709

The propriety of these adjustments cannot be determined until the Controller states the reason for the change.

**Statute of Limitations for Audit**

This issue is not a finding of the Controller. The District asserts that the FY 1999-00 and FY 2000-01 claims are beyond the statute of limitations for audit when the Controller issued its audit report on March 17, 2004.

Chronology of Claim Action Dates

January 10, 2001	FY 1999-00 claim filed by the District
December 20, 2001	FY 2000-01 claim filed by the District
December 31, 2003	FY 1999-00 and FY 2000-01 statute of limitations for audit expires
March 17, 2004	Controller's final audit report issued

Incorrect Reduction Claim of Pasadena Area Community College District  
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1           The District's FY 1999-00 claim was mailed to the Controller on January 10,  
2 2001. The District's FY 2000-01 claim was mailed to the Controller on December 20,  
3 2001. According to Government Code Section 17558.5 these claims are subject to  
4 audit no later than December 31, 2003. The Audit report was issued March 17, 2004.  
5 Therefore the audit adjustments for FY 1999-00 and FY 2000-01 are barred by the  
6 statute of limitations.

7 Statutory History

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

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

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

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

Incorrect Reduction Claim of Pasadena Area Community College District  
1/84; 1118/87 Health Fee Elimination

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

7           The FY 1999-00 and FY 2000-01 annual claims are subject to the two-year statute of  
8           limitations established by Chapter 945, Statutes of 1995. Since funds were  
9           appropriated for the program for all the fiscal years which are the subject of the audit,  
10          the alternative measurement date is not applicable, and the potential factual issue of  
11          when the audit is initiated is not relevant. The FY 1999-00 and FY 2000-01 claims  
12          were no longer subject to audit when the audit report was issued on March 17, 2004.

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

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

23          The FY 2001-2002 claim is subject to this amended version of Section 17558.5,  
24          and was still subject to audit at the time the audit report was released. The amendment  
25          is pertinent since it indicates this is the first time that the factual issues of the date the  
26          audit is “initiated” for mandate programs for which funds are appropriated is introduced.  
27          This also means that at the time the claim is filed, it is impossible for the claimant to

1 know when the statute of limitations will expire, which is contrary to the purpose of a  
2 statute of limitations.

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

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

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

18 Clearly, the Controller did not complete the audit of FY 1999-00 and FY 2000-01  
19 within the statutory time period allowed. The audit findings and reductions are therefore  
20 void for those two years.

#### 21 PART VIII. RELIEF REQUESTED

22 The District filed its annual reimbursement claims within the time limits  
23 prescribed by the Government Code. The amounts claimed by the District for  
24 reimbursement of the costs of implementing the program imposed by Chapter 1,  
25 Statutes of 1984, 2nd E.S., Chapter 1118, Statutes of 1987, and Education Code

Incorrect Reduction Claim of Pasadena Area Community College District  
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1 Section 76355 represent the actual costs incurred by the District to carry out this  
2 program. These costs were properly claimed pursuant to the Commission's parameters  
3 and guidelines. Reimbursement of these costs is required under Article XIII B, Section  
4 6 of the California Constitution. The Controller denied reimbursement without any  
5 basis in law or fact. The District has met its burden of going forward on this claim by  
6 complying with the requirements of Section 1185, Title 2, California Code of  
7 Regulations. Because the Controller has enforced and is seeking to enforce these  
8 adjustments without benefit of statute or regulation, the burden of proof is now upon the  
9 Controller to establish a legal basis for its actions.

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

14 /

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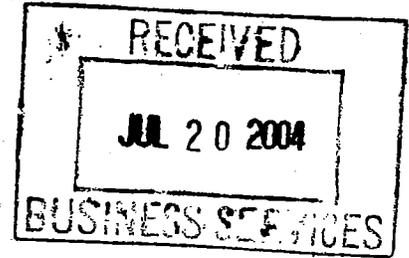
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**EXHIBIT A**



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.

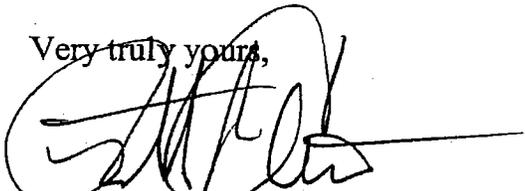
The Controller's informal audit review process was established to resolve factual disputes where no other forum for resolution, other than a judicial proceeding, is available.

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.

0350d

**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.

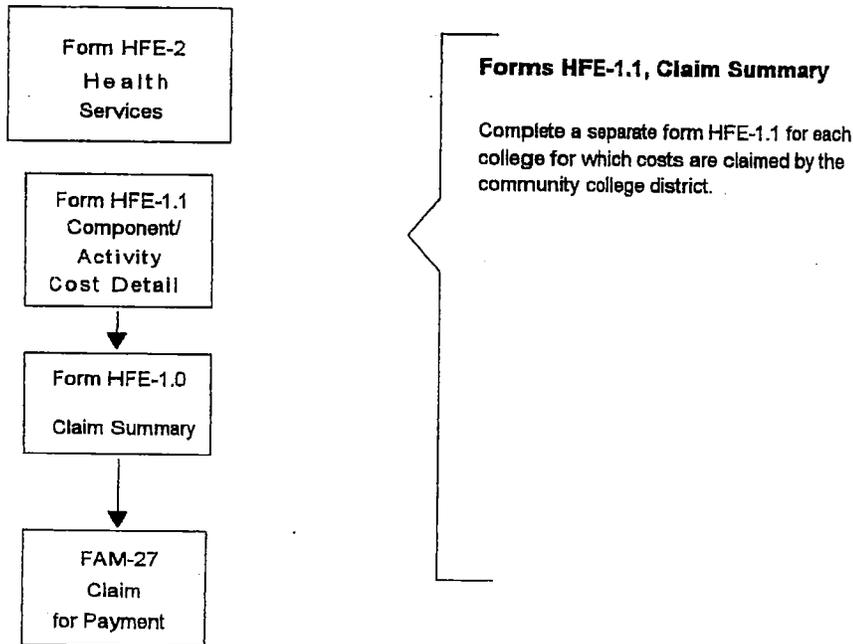
**C. Form HFE-1.0, Claim Summary**

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**



<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>
--	---	-----------------------

LABEL HERE	(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 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__/20__</b>	(12) <b>20__/20__</b>	(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 to Claimant</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><b>HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions</b></p>	<p><b>FORM HFE-1.0</b></p>
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(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>
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(01) Claimant	(02) Type of Claim	Fiscal Year
	Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	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))}]

**HEALTH FEE ELIMINATION  
CLAIM SUMMARY  
Instructions**

**FORM  
HFE-1.1**

- (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			

**EXHIBIT D**

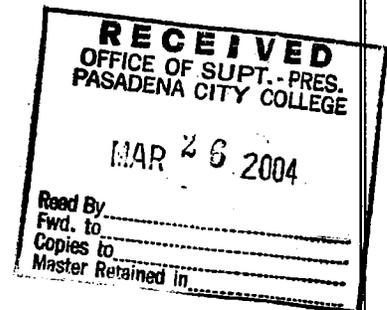
# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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

March 2004



**STEVE WESTLY**  
California State Controller

March 17, 2004

James P. Kossler, Ed.D.  
Superintendent/President  
Pasadena Area Community College District  
1570 East Colorado Boulevard  
Pasadena, CA 91106

Dear Dr. Kossler:

The State Controller's Office has completed an audit of the claims filed by Pasadena Area 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 \$678,460 for the mandated program. Our audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred because the district claimed unsupported costs and understated claimed revenue offsets. The district was paid \$149,443. Allowable costs claimed in excess of the amount paid total \$153,076.

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:jj

cc: (See page 2)

cc: Peter Hardash, Vice President  
Administrative Services  
Pasadena Area Community College District  
Odessa Walker, Director  
Fiscal Services  
Pasadena Area Community College District  
Ed Monroe, Program Assistant  
Fiscal Accountability Section  
Chancellor's Office  
California Community Colleges  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Pasadena Area 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 last day of fieldwork was November 21, 2003.

The district claimed \$678,460 for the mandated program. The audit disclosed that \$302,519 is allowable and \$375,941 is unallowable. The unallowable costs occurred because the district claimed unsupported costs and understated claimed revenue offsets. The district was paid \$149,443. Allowable costs claimed in excess of the amount paid total \$153,076.

## Background

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session (E.S.) repealed *Education Code* Section 72246, which had 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, which would reinstate the community college district's 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 FY 1986-87 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 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, the COSM determined that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to apply to all community college districts that provided health services in FY 1986-87 and required them to maintain that level in FY 1987-88 and each fiscal year thereafter.

*Parameters and Guidelines*, adopted by the COSM, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

## Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated 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.

The auditor 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.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

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

## Conclusion

The 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, the Pasadena Area Community College District claimed \$678,460 for costs of the legislatively mandated Health Fee Elimination Program. The audit disclosed that \$302,519 is allowable and \$375,941 is unallowable.

For FY 1999-2000, the district was paid \$83,464 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$83,464, should be returned to the State.

For FY 2000-01, the district was paid \$19,270 by the State. The audit disclosed that \$167,868 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$148,598, will be paid by the State based on available appropriations.

For FY 2001-02, the district was paid \$46,709 by the State. The audit disclosed that \$134,651 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$87,942, will be paid by the State based on available appropriations.

**Views of  
Responsible  
Officials**

The SCO issued a draft audit report on January 21, 2004. The SCO auditor contacted Odessa Walker, Director, Fiscal Services, on February 17, 2004, for a response to the draft report. Ms. Walker stated that the district accepts the report and will not be providing a written response.

**Restricted Use**

This report is solely for the information and use of the Pasadena Area Community College District, 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>
<u>July 1, 1999, through June 30, 2000</u>				
Health services costs	\$ 545,579	\$ 545,579	\$ —	
Less cost of services in excess of FY 1986-87 services	(140,275)	(140,275)	—	
Subtotals	405,304	405,304	—	
Less authorized health fees	(321,840)	(474,501)	(152,661)	Finding 2
Subtotals	83,464	(69,197)	(152,661)	
Adjustment for authorized fees exceeding health services costs	—	69,197	69,197	
Total costs	<u>\$ 83,464</u>	—	<u>\$ (83,464)</u>	
Less amount paid by the State		(83,464)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (83,464)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Health services costs	\$ 711,352	\$ 635,868	\$ (75,484)	Finding 1
Less cost of services in excess of FY 1986-87 services	—	—	—	
Subtotals	711,352	635,868	(75,484)	
Less authorized health fees	(435,934)	(468,000)	(32,066)	Finding 2
Subtotals	275,418	167,868	(107,550)	
Adjustment for authorized fees exceeding health services costs	—	—	—	
Total costs	<u>\$ 275,418</u>	167,868	<u>\$ (107,550)</u>	
Less amount paid by the State		(19,270)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 148,598</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Health services costs	\$ 750,555	\$ 668,766	\$ (81,789)	Finding 1
Less cost of services in excess of FY 1986-87 services	—	—	—	
Subtotals	750,555	668,766	(81,789)	
Less authorized health fees	(430,977)	(534,115)	(103,138)	Finding 2
Subtotals	319,578	134,651	(184,927)	
Adjustment for authorized fees exceeding health services costs	—	—	—	
Total costs	<u>\$ 319,578</u>	134,651	<u>\$ (184,927)</u>	
Less amount paid by the State		(46,709)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 87,942</u>		

## Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference</u> <sup>1</sup>
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Health services costs	\$ 2,007,486	\$ 1,850,213	\$ (157,273)	Finding 1
Less cost of services in excess of FY 1986-87 services	<u>(140,275)</u>	<u>(140,275)</u>	<u>—</u>	
Subtotals	1,867,211	1,709,938	(157,273)	
Less authorized health fees	<u>(1,188,751)</u>	<u>(1,476,616)</u>	<u>(287,865)</u>	Finding 2
Subtotals	678,460	233,322	(445,138)	
Adjustment for authorized fees exceeding health services costs	<u>—</u>	<u>69,197</u>	<u>69,197</u>	
Total costs	<u>\$ 678,460</u>	302,519	<u>\$ (375,941)</u>	
Less amount paid by the State		<u>(149,443)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 153,076</u>		

See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Overstated indirect costs claimed

For FY 2000-01 and FY 2001-02, the district overclaimed indirect costs by \$157,273. The district claimed indirect costs based on indirect cost rates of 47.3% for FY 2000-01 and 47.8% for FY 2001-02. However, for those years the district had a federally approved indirect cost rate of 30%. Consequently, the district overstated the indirect costs rate by 17.3% for FY 2000-01 and 17.8% for FY 2001-02. The district correctly claimed indirect costs in FY 1999-2000 using the 30% federally approved indirect cost rate.

A summary of the adjustment to indirect costs is as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Audit adjustment	\$ (75,484)	\$ (81,789)	\$ (157,273)

*Parameters and Guidelines* states that indirect costs may be claimed in the manner described by the State Controller in the claiming instructions.

The SCO's claiming instructions state that community colleges have the option of using a federally approved rate prepared in accordance with OMB Circular A-21 or the alternate methodology using Form FAM-29C. The district did not calculate the indirect cost rate under the SCO's alternative methodology using Form FAM-29C.

### Recommendation

The district should ensure that indirect costs claimed are computed using a federally approved rate prepared in accordance with OMB Circular A-21, or the SCO's alternate methodology using Form FAM-29C.

## FINDING 2— Offsetting health fees understated

The district understated health fees credited against the costs of health services by \$287,865 for the audit period.

The district was unable to locate the student attendance data used to calculate the health fee revenues reported in the reimbursement claims for the audit period. As a result, the auditors used the district's GLD144-02 printouts to identify offsetting health fees for each year. The understated offsetting health fees are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Offsetting health fees per audit	\$ (474,501)	\$ (468,000)	\$ (534,115)	\$ (1,476,616)
Less health fees claimed	321,840	435,934	430,977	1,188,751
Audit adjustment	\$ (152,661)	\$ (32,066)	\$ (103,138)	\$ (287,865)

*Parameters and Guidelines* specifies that any offsetting savings or reimbursements received by the district from any source as a result of the mandate must be identified and deducted so that only net district health services costs are claimed.

Recommendation

The district should ensure that all applicable fees are offset on its claims against the mandated program costs.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

C03-MCC-010



**EXHIBIT E**



STEVE WELLY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 1999/2000 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		83,464.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	83,464.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-83,464.00
AMOUNT DUE STATE		<u>\$ 83,464.00</u>

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 83,464.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:			
FIELD AUDIT FINDINGS	-	83,464.00	-
TOTAL ADJUSTMENTS			83,464.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA10501A			
PAID 08-01-2001		-57,365.00	
SCHEDULE NO. MA90516E			
PAID 03-09-2000		-26,099.00	
TOTAL PRIOR PAYMENTS			-83,464.00

SINCERELY,

*Ginny Brummels*  
GINNY BRUMMELS, MANAGER

250

LOCAL REIMBURSEMENT SECTION

RECEIVED

JUL 23 2004

OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
HEALTH FEE ELIMINATION**

**For State Controller Use Only**

(19) Program Number 00029  
(20) Date Filed \_\_\_/\_\_\_/\_\_\_  
(21) LRS Input \_\_\_\_\_

(01) Claimant Identification Number <b>S19335</b>		<b>Reimbursement Claim</b>	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>83,464</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106-2003</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost	(06) <b>2000-2001</b>	(12) <b>1999-2000</b>	(31)
Total Claimed Amount	(07) <b>\$66,771</b>	(13) <b>\$83,464</b> ?	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(33)
LESS: Estimated Claim Payment Received		(15)	(34)
Net Claimed Amount		(16) <b>\$83,464</b>	(35)
Due from State	(08) <b>\$66,771</b>	(17) <b>\$83,464</b>	(36)
Due to State		(18)	(37)

**(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 the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987

The amount for estimated and/or reimbursement claims are 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

Date

  
\_\_\_\_\_  
**Dr. Robert Matthews**

\_\_\_\_\_  
**Interim V. P., Administrative Services**

Print or type name

Title

**Vavrinek, Trine, Day & Co. LLP**

**(916) 944-7394**

(39) Name of Contact Person for Claim

Telephone Number

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area CCD

(02) Type of Claim

Fiscal Year

Reimbursement

X

Estimated

1999-2000

(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. Pasadena City College	\$83,464
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	
16.	
17.	
18.	
19.	
20.	
21.	
22.	
<b>(04) Total Amount Claimed</b>	<b>\$83,464</b>

[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD

(2) Type of Claim

Fiscal Year

Reimbursement

Estimated

1999-2000

(3) Name of College Pasadena City 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	\$419,676	\$125,903	\$545,579
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87	\$133,092	\$7,183	\$140,275
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	\$286,584	\$118,720	\$405,304

(8) 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	4,246	4,446	\$11.00	\$46,706	\$11.00	\$48,906	\$95,612
2. Per spring semester	4,132	9,624	\$11.00	\$45,452	\$11.00	\$105,864	\$151,316
3. Per summer session	4,868	4,496	\$8.00	\$38,944	\$8.00	\$35,968	\$74,912
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected [Line (8.1g) + .....(8.6g)] align="right">\$321,840

(10) Sub-total [Line (07) - line (09)] align="right">\$83,464

**Cost Reduction**

(11) Less: Offsetting Savings, if applicable

(12) Less: Other Reimbursements, if applicable

(13) Total Amount Claimed [Line (10) - {(line (11) + line (12))}] align="right">\$83,464

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD (02) Fiscal Year Costs Were Incurred 1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
Accident Reports	x	x
Appointments		
College Physician, surgeon	x	x
Dermatology, Family practice	x	x
Internal Medicine	x	x
Outside Physician		
Dental Services		
Outside Labs, (X-ray, etc.,)	x	x
Psychologist, full service	x	x
Cancel/Change Appointment		
Registered Nurse	x	x
Check Appointments		
Assessment, Intervention and Counseling		
Birth Control	x	x
Lab Reports	x	x
Nutrition	x	x
Test Results, office	x	x
Venereal Disease	x	x
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
Notalgic	x	x
Orthopedic	x	x
Genito/Urinary		
Dental		
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		
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
Child Abuse	x	x

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD (02) Fiscal Year Costs Were Incurred 1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

	(a) FY 1986/87	(b) FY of Claim
--	----------------------	-----------------------

Birth Control/Family Planning  
Stop Smoking  
Library, Videos and Cassettes

x	x
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  
Influenza  
Infomation

x	x
x	x
x	x
x	x

Insurance

On Campus Accident  
Voluntary  
Insurance Inquiry/Claim Administration

x	x
x	x

Laboratory Tests Done

Inquiry/Interpretation  
Pap Smears

x	x
x	x

Physical Examinations

Employees  
Students  
Athletes

x	x
---	---

Medications

Anatacids  
Antidiarrheal  
Aspirin, Tylenol, etc.,  
Skin Rash Preparations  
Eye Drops  
Ear Drops  
Toothache, oil cloves  
Stingkill  
Midol, Menstrual Cramps  
Other, list - Antihistamines, Decongestants, etc.

x	x
x	x
x	x
x	x
x	x
x	x
x	x

Parking Cards/Elevator Keys

Tokens  
Return Card/Key  
Parking Inquiry  
Elevator Passes  
Temporary Handicapped Parking Passes

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant: Pasadena Area CCD      (02) Fiscal Year Costs Were Incurred      1999-2000

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

	(a) FY 1986/87	(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	x	x

**Tests**

Blood Pressure	x	x
Hearing	x	x
Tuberculosis		
Reading	x	x
Information	x	x
Vision	x	x
Glucometer	x	x
Urinalysis	x	x
Hemoglobin	x	x
EKG	x	x
Strep A Testing	x	x
PG Testing	x	x
Monospot	x	x
Hemacult	x	x
Others, list	x	x

**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	x	x
Temperature	x	x
Weigh	x	x
Information	x	x
Report/Form	x	x
Wart Removal	x	x
Others, list	x	x

**Committees**

Safety	x	x
Environmental	x	x
Disaster Planning	x	x
Skin Rash Preparations	x	x
Eye Drops	x	x



STEVE W. JLY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 2000/2001 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 275,418.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 107,550.00

TOTAL ADJUSTMENTS - 107,550.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA00514E PAID 03-08-2001 19,270.00

AMOUNT DUE CLAIMANT \$ 148,598.00

*WAS PAID.*

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875. DUE TO INSUFFICIENT APPROPRIATION, THE BALANCE DUE WILL BE FORTHCOMING WHEN ADDITIONAL FUNDS ARE MADE AVAILABLE.

RECEIVED

JUL 23 2004

OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

SINCERELY,

*Ginny Brummels*  
GINNY BRUMMELS, MANAGER 257

**CLAIM FOR PAYMENT  
Pursuant to Government Code Section 17561  
HEALTH FEE ELIMINATION**

**For State Controller Use Only**

(19) Program Number 00029  
(20) Date Filed \_\_\_/\_\_\_/\_\_\_  
(21) LRS Input \_\_\_\_\_

(01) Claimant Identification Number <b>S19335</b>		<b>Reimbursement Claim</b>	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>275,418</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106</b>	(26)
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost <b>2001-2002</b>	(06)	(12) <b>2000-2001</b>	(31)
Total Claimed Amount <b>\$200,000</b>	(07)	(13) <b>\$275,418</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)	(14)		(33)
LESS: Estimated Claim Payment Received	(15)		(34)
Net Claimed Amount	(16)	<b>\$275,418</b>	(35)
Due from State <b>\$200,000</b>	(08)	(17) <b>\$275,418</b>	(36)
Due to State	(18)		(37)

**(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 the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive.

I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987

The amount for estimated and/or reimbursement claims are 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** \_\_\_\_\_ **Date** 12/20/91

**James L. Robbins (MAXIMUS)** \_\_\_\_\_ **Vice President, Administrative Services**

(39) Name of Contact Person for Claim \_\_\_\_\_ **(949) 440-0845, Ext. 103**

\_\_\_\_\_ **Telephone Number**

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area GCD

**FIRM**

(02) Type of Claim

Reimbursement

Estimated

Fiscal Year

2000-2001

(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. Pasadena Area Community College District	\$275,418
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	
16.	
17.	
18.	
19.	
20.	
21.	
<b>Total Amount Claimed</b>	<b>\$275,418</b>

[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD

(2) Type of Claim

Fiscal Year

Reimbursement

Estimated

2000-2001

(3) 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	\$504,970	\$206,382	\$711,352
(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)]	\$504,970	\$206,382	\$711,352

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	7,385	8,756	\$11.00	\$81,235	\$11.00	\$96,316	\$177,551
2. Per spring semester	7,372	8,945	\$11.00	\$81,092	\$11.00	\$98,395	\$179,487
3. Per summer session	654	9,208	\$8.00	\$5,232	\$8.00	\$73,664	\$78,896
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							

(09) Total health fee that could have been collected	[Line (8.1g) + .....(8.6g)]	\$435,934
(10) Sub-total	[Line (07) - line (09)]	\$275,418

**Cost Reduction**

(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		

**Total Amount Claimed** [Line (10) - {(line (11) + line (12))}] \$275,418



**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2000-2001

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

Birth Control/Family Planning  
Stop Smoking  
Library, Videos and Cassettes

X  
X

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  
Influenza  
Infomation

X  
X  
X  
X

X  
X  
X  
X

Insurance

On Campus Accident  
Voluntary  
Insurance Inquiry/Claim Administration

X  
X

X  
X

Laboratory Tests Done

Inquiry/Interpretation  
Pap Smears

X  
X

X  
X

Physical Examinations

Employees  
Students  
Athletes

X

X

Medications

Anatacids  
Antidiarrheal  
Aspirin, Tylenol, etc.,  
Skin Rash Preparations  
Eye Drops  
Ear Drops  
Toothache, oil cloves  
Stingkill  
Midol, Menstrual Cramps  
Other, list

X  
X  
X  
X  
X  
X

X  
X  
X  
X  
X  
X

X

X

Parking Cards/Elevator Keys

Tokens  
Return Card/Key  
Parking Inquiry  
Elevator Passes  
Temporary Handicapped Parking Permits

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2000-2001

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

**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

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Tests**

- Blood Pressure
- Hearing
- Tuberculosis
- Reading
- Information
- Vision
- Glucometer
- Urinalysis
- Hemoglobin
- EKG
- Strep A Testing
- PG Testing
- Monospot
- Hemacult
- Others, list

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Miscellaneous**

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

X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X
X	X

**Committees**

- Safety
- Environmental
- Disaster Planning
- Skin Rash Preparations
- Eye Drops

X	X
X	X
X	X
X	X
X	X



STEVE WE. LY

S19335

California State Controller  
Division of Accounting and Reporting  
JULY 20, 2004

BOARD OF TRUSTEES  
PASADENA AREA COMM COL DIST  
LOS ANGELES COUNTY  
1570 E COLORADO BLVD  
PASADENA CA 91106

DEAR CLAIMANT:

RE: HEALTH FEE ELIMINATION CH 1/84

WE HAVE REVIEWED YOUR 2001/2002 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 319,578.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 184,927.00

TOTAL ADJUSTMENTS - 184,927.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA11392E PAID 03-06-2002 46,709.00

AMOUNT DUE CLAIMANT \$ 87,942.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT FRAN STUART AT (916) 323-0766 OR IN WRITING AT THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875. DUE TO INSUFFICIENT APPROPRIATION, THE BALANCE DUE WILL BE FORTHCOMING WHEN ADDITIONAL FUNDS ARE MADE AVAILABLE.

RECEIVED

JUL 23 2004

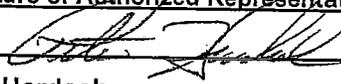
OFFICE OF THE PRESIDENT  
PASADENA CITY COLLEGE

SINCERELY,

*Ginny Brummels*  
GINNY BRUMMELS, MANAGER

264

LOCAL REIMBURSEMENT SECTION

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>HEALTH FEE ELIMINATION</b>		For State Controller Use Only	
(01) Claimant Identification Number <b>S19335</b>		(19) Program Number 00029 (20) Date Filed ___ / ___ / ___ (21) LRS Input _____	
(02) Mailing Address		(22) HFE-1.0, (04)(b)	<b>319,578</b>
Claimant Name <b>Pasadena Area CCD</b>		(23)	
County of Location <b>Los Angeles</b>		(24)	
Street Address or P.O. Box <b>1570 East Colorado Blvd.</b>		(25)	
City <b>Pasadena</b>	State <b>CA</b>	Zip Code <b>91106</b>	(26)
Type of Claim	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(27)
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)
Fiscal Year of Cost of Cost	(06) <b>2002-2003</b>	(12) <b>2001-2002</b>	(31)
Total Claimed Amount	(07) <b>\$200,000</b>	(13) <b>\$319,578</b>	(32)
LESS: 10% Late Penalty, but not to exceed \$1,000 (if applicable)	(14)	(15)	(33)
LESS: Estimated Claim Payment Received	(15)	<b>\$46,709</b>	(34)
Net Claimed Amount	(16)	<b>\$272,869</b>	(35)
Due from State	(08) <b>\$200,000</b>	(17) <b>\$272,869</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, Stat and certify under the penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 through 1096, inclusive.</p> <p>I further certify that there were no applications for nor any grants or payments received, other than from the claimant for reimbursement of costs claimed herein; and such costs are for new program or increased level of service of an existing program mandated by Chapter 1, Statutes of 1984 and Chapter 1118, Statutes of 1987</p> <p>The amount for estimated and/or reimbursement claims are 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>			
<u>Signature of Authorized Representative</u>		<u>Date</u>	
		1/10/03	
Peter Hardash		Vice President, Administrative Services	
Print or type name		Title	
James L. Robbins (MAXIMUS)		(949) 440-0845, Ext. 103	
(39) Name of Contact Person for Claim		Telephone Number	

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.0**

(01) Claimant: Pasadena Area CCD

(02) Type of Claim

Fiscal Year

Reimbursement

X

Estimated

2001-2002

(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. Pasadena Area Community College District

\$319,578

2.

3.

4.

5.

6.

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13.

14.

15.

16.

17.

18.

19.

20.

21.

Total Amount Claimed

[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]

\$319,578

**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-1.1**

(01) Claimant: Pasadena Area CCD	(2) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year  2001-2002
----------------------------------	--	------------------------------

(3) 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	\$530,918	\$219,637	\$750,555
(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)]	\$530,918	\$219,637	\$750,555

i) 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	7,814	9,742	\$11.00	\$85,954	\$11.00	\$107,162	\$193,116
2. Per spring semester	7,779	7,148	\$11.00	\$85,569	\$11.00	\$78,628	\$164,197
3. Per summer session	654	8,554	\$8.00	\$5,232	\$8.00	\$68,432	\$73,664
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected	[Line (8.1g) + .....(8.6g)]						\$430,977
(10) Sub-total	[Line (07) - line (09)]						\$319,578
<b>Cost Reduction</b>							
(11) Less: Offsetting Savings, if applicable							
(12) Less: Other Reimbursements, if applicable							
Total Amount Claimed	[Line (10) - (line (11) + line (12))]						\$319,578



**MANDATED COSTS  
HEALTH FEE ELIMINATION  
COMPONENT / ACTIVITY COST DETAIL**

**FORM  
HFE-2**

(01) Claimant:

(02) Fiscal Year Costs Were Incurred:

2001-2002

(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health service was provided by student health service fees for the indicated fiscal year.

(a)  
FY  
1986/87

(b)  
FY  
of Claim

Birth Control/Family Planning	X	X
Stop Smoking	X	X
Library, Videos and Cassettes		
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	X	X
Influenza	X	X
Infomation	X	X
Insurance		
On Campus Accident	X	X
Voluntary	X	X
Insurance Inquiry/Claim Administration		
Laboratory Tests Done		
Inquiry/Interpretation	X	X
Pap Smears	X	X
Physical Examinations		
Employees	X	X
Students		
Athletes		
Medications		
Anatacids	X	X
Antidiarrheal	X	X
Aspirin, Tylenol, etc.,	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X
Ear Drops	X	X
Toothache, oil cloves	X	X
Stingkill		
Midol, Menstrual Cramps	X	X
Other, list		
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key		
Parking Inquiry		
Elevator Passes		
Temporary Handicapped Parking Permits		

## COMMISSION ON STATE MANDATES

980 NINTH STREET, SUITE 300  
SACRAMENTO, CA 95814  
PHONE: (916) 323-3562  
FAX: (916) 445-0278  
E-mail: csminfo@csm.ca.gov



January 9, 2015

Mr. Keith Petersen  
SixTen & Associates  
P.O. Box 340430  
Sacramento, CA 95834-0430

Ms. Jill Kanemasu  
State Controller's Office  
Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**  
*Health Fee Elimination, 06-4206-I-13*  
Education Code Section 76355  
Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118  
Fiscal Years 1999-2000, 2000-2001, and 2001-2002  
Pasadena Area Community College District, Claimant

Dear Mr. Petersen and Ms. Kanemasu:

The draft proposed decision for the above-named matter is enclosed for your review and comment.

### Written Comments

Written comments may be filed on the draft proposed decision by **January 30, 2015**. You are advised that comments filed with the Commission are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

### Hearing

This matter is set for hearing on **Friday, March 27, 2015**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. The proposed decision will be issued on or about March 13, 2015. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Halsey".

Heather Halsey  
Executive Director

**ITEM \_\_**  
**INCORRECT REDUCTION CLAIM**  
**DRAFT PROPOSED DECISION**

Former Education Code section 72246 (Renumbered as 76355)<sup>1</sup>,  
Statutes 1984, Chapter 1 (1983-1984 2nd Ex. Sess.); Statutes 1987, Chapter 1118

*Health Fee Elimination*

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

06-4206-I-13

Pasadena Area Community College District, Claimant

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**EXECUTIVE SUMMARY**

**Overview**

This analysis addresses reductions made by the State Controller's Office (Controller) to Pasadena Area Community College District's (claimant's) reimbursement claims for fiscal years 1999-2000, 2000-2001, and 2001-2002 under the *Health Fee Elimination* program. Over the three fiscal years in question, the Controller reduced claimed costs by a total of \$375,941. The following issues are in dispute in this IRC:

- The statutory deadlines applicable to the audit of the 1999-2000 and 2000-2001 reimbursement claims;
- Reduction of costs claimed in fiscal years 2000-2001 and 2001-2002 based on claimant's development and application of indirect cost rates.
- The amount of offsetting revenue to be applied from health service fee revenue.
- Adjustment made based on prior payments to the claimant for the program.

**Health Fee Elimination Program**

Prior to 1984, former Education Code section 72246 authorized community college districts to charge almost all students a general fee (health service fee) for the purpose of voluntarily providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers.<sup>2</sup> In 1984, the Legislature repealed the

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<sup>1</sup> Statutes 1993, chapter 8.

<sup>2</sup> Former Education Code section 72246 (Stats. 1981, ch. 763) [Low income students, students that depend upon prayer for healing, and students attending a college under an approved apprenticeship training program, were exempt from the fee.]

community colleges' fee authority for health services.<sup>3</sup> However, the Legislature also reenacted section 72246, to become operative on January 1, 1988, in order to reauthorize the fee, at \$7.50 for each semester )or \$5 for quarter or summer semester).<sup>4</sup>

In addition to temporarily repealing community college district's authority to levy a health services fee, the 1984 enactment required any district that provided health services during the 1983-1984 fiscal year, for which the district was previously authorized to charge a fee, to maintain the health services at the level provided during the 1983-1984 fiscal year for every subsequent fiscal year until January 1, 1988. As a result, community college districts were required to maintain health services provided in the 1983-1984 fiscal year without any fee authority for this purpose until January 1, 1988.

In 1987, the Legislature amended former Education Code section 72246, operative January 1, 1988, to incorporate and extend the maintenance of effort provisions of former Education Code section 72246.5, which became inoperative by its own terms as of January 1, 1988.<sup>5</sup> In addition, Statutes 1987, chapter 1118 restated that the fee would be reestablished at not more than \$7.50 for each semester, or \$5 for each quarter or summer semester.<sup>6</sup> As a result, beginning January 1, 1988, all community college districts were required to maintain the same level of health services they provided in the 1986-1987 fiscal year each year thereafter, with a limited fee authority to offset the costs of those services. In 1992, section 72246 was amended to provide that the health services fee could be increased by the same percentage as the Implicit Price Deflator whenever that calculation would produce an increase of one dollar.<sup>7</sup>

### **Procedural History**

Claimant's 1999-2000 fiscal year claim was filed with the Controller on January 10, 2001. Claimant's 2000-2001 fiscal year claim was filed with the Controller on December 20, 2001. Claimant's 2001-2002 fiscal year claim was dated January 10, 2003. The Controller conducted an entrance conference on May 21, 2003, to initiate an audit of the claims. On March 17, 2004, the Controller issued its final audit report, concluding that claimant had overstated its indirect costs for the program and had inaccurately reported offsetting revenue collected. Claimant filed this IRC with the Commission on State Mandates (Commission) on July 3, 2006.<sup>8</sup>

On, January 8, 2008, the Controller submitted comments on the IRC.<sup>9</sup>

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<sup>3</sup> Statutes 1984, 2<sup>nd</sup> Extraordinary Session, chapter 1, section 4 [repealing Education Code section 72246].

<sup>4</sup> Statutes 1984, 2<sup>nd</sup> Extraordinary session, chapter 1, section 4.5.

<sup>5</sup> Education Code section 72246 (as amended, Stats. 1987, ch. 1118). See also former Education Code section 72246.5 (Stats. 1984, 2d Ex. Sess., ch. 1 §4.7).

<sup>6</sup> Education Code section 72246 (as amended, Stats. 1987, ch. 1118. See also former Education Code section 72246.5 (Stats. 1984, 2d Ex. Sess., ch. 1, § 4.7).

<sup>7</sup> Education Code section 72246 (as amended, Stats. 1992, ch.753. In 1993, former Education Code section 72246 was renumbered as Education Code section 76355. (Stats. 1993, ch. 8.

<sup>8</sup> Exhibit A, Glendale Community College District IRC.

<sup>9</sup> Exhibit B.

On January 9, 2015, a draft proposed decision on the IRC was issued for comment.

### **Commission Responsibilities**

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of parameters and guidelines, de novo, without consideration of conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.<sup>10</sup> The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."<sup>11</sup>

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.<sup>12</sup>

The Commission must also review the Controller's audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.<sup>13</sup> In addition, section 1185.2(c) of the Commission's regulations requires that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission's ultimate findings of fact must be supported by substantial evidence in the record.<sup>14</sup>

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<sup>10</sup> *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

<sup>11</sup> *County of Sonoma*, supra, 84 Cal.App.4th 1264, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

<sup>12</sup> *Johnston v. Sonoma County Agricultural* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

<sup>13</sup> *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

<sup>14</sup> Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

The Commission must also review the Controller’s audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.<sup>15</sup> In addition, section 1185.2(c) of the Commission’s regulations requires that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.<sup>16</sup>

**Claims**

The following chart provides a brief summary of the claims and issues raised and staff’s recommendation.

<b>Subject</b>	<b>Description</b>	<b>Staff Recommendation</b>
Statutory deadlines applicable to the audit of claimant’s 1999-2000 and 2000-2001 annual reimbursement claims.	At the time costs were incurred and the 1999-2000 and 2000-2001 reimbursement claims were filed, Government Code section 17558.5 stated: “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 is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.” Claimant asserts that the claim was no longer subject to audit at the time the final audit report was issued.	<i>The audit was not time-barred by any statutory or common law limitation</i> - Staff finds that the plain language of section 17558.5, at the time the reimbursement claims were filed, did not require the Controller to complete an audit within any specified period of time, and that a subsequent amendment to the statute demonstrates that “subject to audit” means “subject to the initiation of an audit.” Additionally, the audit was completed within a reasonable time and so is not barred by common law principles of laches.
Reduction based on asserted flaws in the development of indirect cost rates.	Claimant asserts that the Controller incorrectly reduced indirect costs claimed for fiscal years 2000-2001 and 2001-2002,	<i>Correct as a matter of law and not arbitrary, capricious or entirely lacking in evidentiary support-</i> Claimant did not comply with the

<sup>15</sup> *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

<sup>16</sup> Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission’s decision is not supported by substantial evidence in the record.

	<p>because the claimant used an indirect cost rate calculation that did not comply with its federally approved indirect cost rate or the state Form FAM-29C as required by the claiming instructions. Claimant asserts that the parameters and guidelines are permissive, allowing the claimant to calculate the indirect cost rate any way it chooses.</p>	<p>parameters and guidelines, which direct claimants to claim indirect costs consistently with the claiming instructions by using either the state’s FAM-29C method, or a federally approved OMB Circular A-21 method. Instead, claimant used an alternative method to claim indirect costs of 47.3% for fiscal year 2000-2001 and 47.8% in fiscal year 2001-2002. Thus, the reduction is correct as a matter of law. In addition, the Controller’s recalculation of indirect costs using a 30% federally approved rate under OMB A-21, which the claimant used in fiscal year 1999-2000, is not arbitrary, capricious, or entirely lacking in evidentiary support.</p>
<p>Reduction based on understated offsetting health service fee revenues.</p>	<p>Claimant asserts that the student enrollment information provided in the reimbursement claims is accurate. The Controller’s audit found claimant did not provide any documentation to support the enrollment data provided in the reimbursement claims and recalculated student enrollment and fees collected based upon data provided by claimant to the California Community Colleges Chancellor’s Office, increasing offsetting revenue.</p>	<p><i>Correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support - Staff finds that claimant did not provide any documentation to support the enrollment data used to calculate offsetting revenue, as required by the parameters and guidelines, and, thus, the Controller’s reduction is correct as a matter of law. Staff further finds that the Controller’s recalculation of student enrollment using data provided by claimant to the Chancellor’s Office was not arbitrary, capricious, or entirely lacking in evidentiary support.</i></p>

**Staff Analysis**

**A. The audit of the reimbursement claims for fiscal years 1999-2000 and 2000-2001 is not barred by the deadlines found in Government Code section 17558.5.**

Government Code section 17558.5, as added by Statutes 1995, chapter 945 (operative July 1, 1996) provides that a reimbursement claim “is subject to audit by the Controller *no later than two years after the calendar year* in which the reimbursement claim is filed or last amended.”<sup>17</sup>

<sup>17</sup> Government Code section 17558.5 (Stats. 1995, ch. 945 (SB 11) [emphasis added]).

The 1999-2000 reimbursement claim was filed on January 10, 2001 and the 2000-2001 reimbursement claim was filed on December 20, 2001. Thus, both claims were “subject to audit” by the plain language of section 17558.5 until December 31, 2003.

The Controller states that it met the December 31, 2003 deadline since it *initiated* the audit on May 21, 2003, when an entrance conference was held for this audit. The claimant does not dispute that the entrance conference initiated the audit. However, the claimant asserts that “subject to” requires the Controller to *complete* the audit no later than two years after the end of the calendar year that the reimbursement claim was filed. Applying claimant’s argument in this case would require the completion of the audit for the 1999-2000 and 2000-2001 reimbursement claims by December 31, 2003. The Controller did not complete its final audit of this claim until nearly three months later, on March 17, 2004, when the Controller issued the final audit report.

The plain language of the first sentence in Government Code section 17558.5, as added in 1995, does not require the Controller to “complete” the audit within any specified period of time. The plain language of the statute provides that reimbursement claims are “subject to audit” within two years after the end of the calendar year that the reimbursement claim was filed. The phrase “subject to audit” does not require the completion of the audit, but sets a time during which a claimant is on notice that an audit of a claim may occur. This interpretation is consistent with the 2002 amendment to the first sentence of section 17558.5, which clarified that “subject to audit” means “subject to the initiation of an audit.” In this case, the audit of the reimbursement claims filed for fiscal years 1999-2000 and 2000-2001 had to be initiated by December 31, 2003. Since the audit began no later than May 21, 2003, when the entrance conference was conducted, the audit was timely initiated.

In addition, the 2002 amendment to section 17558.5 expanded the statutory period to *initiate an audit* to “three years after the date that the actual reimbursement claim is filed or last amended.”<sup>18</sup> Pursuant to the *Douglas Aircraft* case, “[u]nless a statute expressly provides to the contrary, any enlargement of a statute of limitations provision applies to matters pending but not already barred.”<sup>19</sup> Therefore, an expansion of a statute of limitations applies to matters pending but not already barred, based in part on the theory that a party has no vested right in the running of a statutory period prior to its expiration.<sup>20</sup> In this case, the 2002 amendment to section 17558.5 became effective on January 1, 2003, when the audit period for both reimbursement claims was still pending and not yet barred under the prior statute. The 2002 statute, which enlarged the time to initiate the audit to three years after the date the reimbursement claim is filed or last amended controls, and gives the Controller additional time to initiate the audit. The Controller therefore had until January 10, 2004, to initiate the audit of the 1999-2000 reimbursement claim, and had until December 20, 2004, to initiate the 2000-2001 reimbursement claim. Since the audit was initiated no later than May 21, 2003, when the entrance conference was held and before the 2004 deadlines, the audit was timely initiated under section 17558.5, as amended in 2002.

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<sup>18</sup> Statutes 2002, chapter 1128 (AB 2834) (effective January 1, 2003).

<sup>19</sup> *Douglas Aircraft Co. v. Cranston* (1962) 58 Cal.2d 462, at p. 465.

<sup>20</sup> *Mudd v. McColgan* (1947) 30 Cal.2d 463, 468

Moreover, section 17558.5 was amended in 2004 to establish, for the first time, the requirement to “complete” the audit two years after the audit is commenced. The 2004 amendment became effective on January 1, 2005, *after* the completion of the audit of the reimbursement claims for fiscal years 1999-2000 and 2000-2001 and, thus, does not apply to the audit in this case. Nevertheless, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.<sup>21</sup> The audit was completed less than one year after it was initiated and, under the facts of this case, within a reasonable period of time. In addition, there is no evidence that the claimant was prejudiced by the audit process.

Based on the above analysis, staff finds that the audit of the 1999-2000 and 2000-2001 reimbursement claims was timely.

**B. The Controller’s Recalculation and Reduction of Indirect Costs Claimed is Correct as a Matter of Law and Not Arbitrary, Capricious or Entirely Lacking in Evidentiary Support.**

The Controller reduced indirect costs claimed for fiscal years 2000-2001 and 2001-2002 by \$157,273 because claimant did not use either a federally approved rate or the state’s Form FAM-29C. For fiscal year 1999-2000, claimant used an indirect cost rate of 30 percent that was federally approved and the Controller did not reduce any indirect costs claimed for that year. In 2000-2001 and 2001-2002, claimant used an outside consultant to prepare its indirect cost rate and that rate exceeded the federally approved rate by 17.3 percent in 2000-2001 and 17.8percent in 2001-2002.<sup>22</sup> The Controller reduced the indirect cost rates for 2000-2001 and 2001-2002 to the federally approved rate of 30% concluding that the outside consultant’s rate exceeded the approved federal rate and therefore was not consistent with the parameters and guidelines and claiming instructions.

The parameters and guidelines expressly require claimants to claim indirect costs in the manner described in the Controller’s claiming instructions, which in turn provide that an indirect cost rate may be developed in accordance with federal OMB guidelines or by using the state Form FAM-29C.

Staff finds claimant did not comply with the requirements in the parameters and guidelines and claiming instructions in developing and applying its indirect cost rate for fiscal years 2000-2001 and 2001-2002 since it did not use its federally approved indirect cost rate or the state Form FAM-29C. Therefore, the reduction is correct as a matter of law. Staff further finds that the Controller’s recalculation of indirect costs using the

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<sup>21</sup> *Cedar-Sinai Medical Center v. Shewry* (2006) 137 Cal.App.4th 964, 985-986. In that case, the court determined that the hospital failed to establish an unreasonable delay in audits conduct by Department of Health Services, since the Department conducted audits two years or less after the end of the fiscal period that it was auditing, which was less than the three-year period permitted by statute. See also, *Steen v. City of Los Angeles* (1948) 31 Cal.2d 542, 546, where the court held that laches applies in quasi-adjudicative proceedings.

<sup>22</sup> Exhibit A, IRC, Exhibit D, at p. 57.

federally approved rate of 30 percent is not arbitrary, capricious, or entirely lacking in evidentiary support.

**C. The Controller’s Reduction for Understated Offsetting Revenues is Correct as a Matter of Law and not Arbitrary, Capricious, or Lacking in Evidentiary Support.**

The Controller reduced costs for the three fiscal years by \$287,865 because claimant understated its offsetting health fee revenues.<sup>23</sup> The reduction was made because claimant did not provide documentation to support the student enrollment data used to calculate the health fees revenues reported in its reimbursement claims. The Controller recalculated student enrollment using data claimant provided to the California Community Colleges Chancellor’s Office. This enrollment data reflected more students paid health fees than claimant reported in its reimbursement claims.<sup>24</sup>

The parameters and guidelines require claimants to demonstrate that “all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.”<sup>25</sup> As claimant did not provide adequate documentation to support its enrollment data, the Controller’s reduction is correct as a matter of law. Staff further finds that the Controller’s recalculation of student enrollment using data provided by claimant to the Chancellor’s Office was not arbitrary, capricious, or entirely lacking in evidentiary support. The documents are public records provided by the claimant in the normal course of business, and the claimant has provided no other documents to support enrollment data.

**D. The Controller’s Adjustment Based on Payments Made to the Claimant is Supported by Evidence in the Record, and is not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

The claimant questions additional adjustments made by the Controller to the amounts owed based on two claim payments issued by the state to the claimant for fiscal years 1999-2000 and 2000-2001. The claimant contends that it cannot determine the propriety of these adjustments until the Controller states the reason for the change.<sup>26</sup>

The Controller responds as follows:

As clearly stated in the audit report, and reconfirmed in the documentation in Tab 8, the District received two claim payments (\$57,365 issued on 8/1/2001 and \$26,099 issued on 3/9/2001) totaling \$83,464 for fiscal year 1999-2000, and one claim payment of \$19,270 issued on 3/8/2001 for fiscal year 2000-2001. The adjustments were made because of these reimbursement payments the District received.<sup>27</sup>

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<sup>23</sup> Exhibit B, Controller’s Comments, Tab 1, at p. 7.

<sup>24</sup> Exhibit B, Controller’s Comments, Tab 1, at pp. 7, 9.

<sup>25</sup> Exhibit X, Parameters and Guidelines, at p. 6.

<sup>26</sup> Exhibit A, IRC, pages 18-21.

<sup>27</sup> Exhibit B, Controller’s comments on IRC, page 3.

Tab 8 of the Controller's comments contains copies of the warrants showing payments made to the claimant for the mandated program for \$83,464 and \$19,270.<sup>28</sup> These payments are reflected as adjustments in the final audit report for fiscal years 1999-2000 and 2000-2001.<sup>29</sup>

Staff finds that the Controller's adjustment based on prior payments is supported by evidence in the record, and is not arbitrary, capricious, or entirely lacking in evidentiary support.

### **Conclusion**

Pursuant to Government Code section 17551(d), staff concludes that the Controller's audit of the 1999-2000 and 2000-2001 reimbursement claims was timely, and that the reduction of the following costs is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support:

- The reduction of indirect costs claimed for fiscal years 2000-2001 and 2001-2002, in the amount of \$157,273.
- The reduction of costs due to understated offsetting revenue in the amount of \$287,865.
- The adjustment based on prior payments made to the claimant.

### **Staff Recommendation**

Staff recommends that the Commission adopt the proposed statement of decision to deny the IRC, and authorize staff to make any technical, non-substantive changes following the hearing.

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<sup>28</sup> Exhibit B, Controller's comments on IRC, pages 102-103.

<sup>29</sup> Exhibit B, Controller's comments on IRC, page 164.

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE INCORRECT REDUCTION CLAIM  
ON:

Education Code Section 76355

Statutes 1984, Chapter 1 (1983-1984 2nd Ex.  
Sess.) (AB 1) and Statutes 1987, Chapter 1118  
(AB 2336)

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

Pasadena Area Community College District,  
Claimant.

Case Nos.: 06-4206-I-13

*Health Fee Elimination*

DECISION PURSUANT TO  
GOVERNMENT CODE SECTION 17500 ET  
SEQ.; CALIFORNIA CODE OF  
REGULATIONS, TITLE 2, DIVISION 2,  
CHAPTER 2.5. ARTICLE 7

*(Adopted March 27, 2015)*

**DECISION**

The Commission on State Mandates (Commission) heard and decided this incorrect reduction claim (IRC) during a regularly scheduled hearing on March 27, 2015. [Witness list will be included in the adopted decision.]

The law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., and related case law.

The Commission [adopted/modified] the proposed decision to [approve/partially approve/deny] this IRC at the hearing by a vote of [vote count will be included in the adopted decision].

**Summary of the Findings**

This decision addresses reductions made by the State Controller's Office (Controller) to Pasadena Area Community College District's (claimant's) reimbursement claims for fiscal years 1999-2000, 2000-2001, and 2001-2002 under the *Health Fee Elimination* program. Over the three fiscal years in question, the Controller reduced costs totaling \$375,941, finding that (1) the claimant overstated indirect costs by not using either the OMB Circular A-21 or the Form FAM 29C methodologies, and (2) understated offsetting health fee revenues that were collected by the claimant, based on the Controller's review of documentation provided to the Chancellor's Office supporting enrollment data during the audit years. The claimant also questions adjustments made by the Controller based on prior payments on the program to the claimant.

The Commission finds that the Controller conducted the audit of the 1999-2000 and 2000-2001 reimbursement claims within the deadlines imposed by Government Code section 17558.5 and, therefore, the audit is not void with respect to these reimbursement claims.

The Commission further finds that the reduction of the following costs is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support:

- The reduction of indirect costs claimed for 2000-2001 and 2001-2002 of \$157,273. Claimant did not comply with the parameters and guidelines and Controller's claiming instructions in preparing its indirect cost rate for 2000-2001 and 2001-2002 and, thus, the Controller's reduction of these costs is correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.
- The reduction of costs due to understated offsetting revenue of \$287,865. Claimant did not provide any documentation to support the enrollment data used to calculate offsetting revenue as required by the parameters and guidelines and, thus, the Controller's reduction is correct as a matter of law. The Commission further finds that the Controller's recalculation of student enrollment using data provided by claimant to the Chancellor's Office was not arbitrary, capricious, or entirely lacking in evidentiary support.

In addition, the adjustment based on prior payments to the claimant is supported by evidence in the record and is not arbitrary, capricious, or entirely lacking in evidentiary support.

Accordingly, the Commission denies this IRC.

## COMMISSION FINDINGS

### I. Chronology

- |          |  |
|----------|--|
| 01/10/01 | Claimant filed a reimbursement claim for fiscal year 1999-2000. <sup>30</sup>  |
| 12/20/01 | Claimant filed a reimbursement claim for fiscal year 2000-2001. <sup>31</sup>  |
| 01/10/03 | Claimant submitted a reimbursement claim for fiscal year 2001-2002. <sup>32</sup>  |
| 05/21/03 | The Controller conducted an entrance conference for the audits of the 1999-2000, 2000-2001 and 2001-2002 reimbursement claims. |
| 01/21/04 | The Controller issued a draft audit report.  |
| 03/17/04 | The Controller issued a final audit report. <sup>33</sup>  |
| 07/03/06 | Claimant filed this IRC. <sup>34</sup>   |
| 07/13/06 | Commission staff issued a Notice of Complete Filing.   |
| 01/07/08 | The Controller, Division of Audits filed comments on the IRC. <sup>35</sup>  |
| 01/09/15 | Commission staff issued the draft proposed decision for comment.   |

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<sup>30</sup> Exhibit A, IRC, Exhibit D, at pp. 64 *et seq.*.

<sup>31</sup> Exhibit A, IRC, Exhibit D, at pp. 70 *et seq.*.

<sup>32</sup> Exhibit A, IRC, Exhibit D, at pp.76 *et seq.* Reimbursement claim for FY 2001-2002.

<sup>33</sup> Exhibit A, IRC.

<sup>34</sup> Exhibit A, IRC.

<sup>35</sup> Exhibit B, Controller, Division of Audits, Comments.

## II. Background

### Health Fee Elimination Program

Prior to 1984, former Education Code section 72246 authorized community college districts to charge almost all students a general fee (health service fee) for the purpose of voluntarily providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers.<sup>36</sup> In 1984, the Legislature repealed the community colleges' fee authority for health services.<sup>37</sup> However, the Legislature also reenacted section 72246 in order to reauthorize the fee, at \$7.50 for each semester (or \$5 for quarter or summer semester), which was to become operative on January 1, 1988.<sup>38</sup>

In addition to temporarily repealing community college districts' authority to levy a health services fee, the 1984 enactment required any district that provided health services during the 1983-1984 fiscal year, for which districts were previously authorized to charge a fee, to maintain the health services at the level provided during the 1983-1984 fiscal year for every subsequent fiscal year until January 1, 1988.<sup>39</sup> As a result, community college districts were required to maintain health services provided in the 1983-1984 fiscal year without any fee authority for this purpose, until January 1, 1988.

In 1987,<sup>40</sup> the Legislature amended former Education Code section 72246, which was to become operative January 1, 1988, to incorporate and extend the maintenance of effort provisions of former Education Code section 72246.5, which became inoperative by its own terms as of January 1, 1988.<sup>41</sup> In addition, Statutes 1987, chapter 1118 restated that the fee would be reestablished at not more than \$7.50 for each semester, or \$5 for each quarter or summer semester.<sup>42</sup> As a result, beginning January 1, 1988 all community college districts were required to maintain the same level of health services they provided in the 1986-1987 fiscal year each year thereafter, with a limited fee authority to offset the costs of those services.<sup>43</sup>

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<sup>36</sup> Statutes 1981, chapter 763. Students with low-incomes, students that depend upon prayer for healing, and students attending a college under an approved apprenticeship training program, were exempt from the fee.

<sup>37</sup> Statutes 1984, 2nd Extraordinary Session 1984, chapter 1, section 4 [repealing Education Code section 72246].

<sup>38</sup> Statutes 1984, 2nd Extraordinary Session 1984, chapter 1, section 4.5.

<sup>39</sup> Education Code section 72246.5 (Stats. 1984, 2d. Ex. Sess., ch. 1, § 4.7).

<sup>40</sup> Statutes 1987, chapter 1118.

<sup>41</sup> Education Code section 72246 (as amended, Stats. 1987, ch. 1118). See also former Education Code section 72246.5 (Stats. 1984, 2d Ex. Sess., ch. 1, § 4.7).

<sup>42</sup> Education Code section 72246 (as amended, Stats. 1987, ch. 1118).

<sup>43</sup> In 1992, section 72246 was amended to provide that the health fee could be increased by the same percentage as the Implicit Price Deflator whenever that calculation would produce an increase of one dollar. (Education Code section 72246 (as amended, Stats. 1992, ch. 753). In 1993, former Education Code section 72246, was renumbered as Education Code section 76355. (Stats. 1993, ch. 8).

On November 20, 1986, the Commission determined that Statutes 1984, chapter 1 imposed a reimbursable state-mandated new program upon community college districts. On August 27, 1987, the Commission adopted parameters and guidelines for the *Health Fee Elimination* program. On May 25, 1989, the Commission adopted amendments to the parameters and guidelines for the *Health Fee Elimination* program to reflect amendments made by Statutes 1987, chapter 1118.

The parameters and guidelines generally provide that eligible community college districts shall be reimbursed for the costs of providing a health services program, and that only services specified in the parameters and guidelines and provided by the community college in the 1986-1987 fiscal year may be claimed.

#### Controller's Audit and Summary of the Issues

The claimant submitted reimbursement claims for 1999-2000, 2000-2001, and 2001-2002, claiming costs totaling \$678,460. Following a field audit, the Controller reduced the costs claimed by \$375,941, based on the following audit findings:

- Overstated indirect costs claimed in fiscal years 2000-2001 and 2001-2002 by \$157,273. Indirect cost rates of 47.3% for fiscal year 2000-2001 and 47.8% in fiscal year 2001-2002 were used by the claimant in those years. The claimant, however, did not calculate the indirect cost rates in accordance with OMB Circular A-21 or the alternative methodology in Form FAM-29C. The Controller recalculated indirect costs using the claimant's federally approved rate of 30%, which was correctly used by the claimant in the fiscal year 1999-2000 reimbursement claim.<sup>44</sup>
- Understated offsetting health fee revenue in all three fiscal years totaling \$287,865, based on an unsupported student attendance data used by the claimant to calculate the fees collected. This audit was one of the first performed on the *Health Fee Elimination* program and it occurred before the court's decision in *Clovis Unified School District v. Chiang*. Thus, in this case, the Controller did not consider the extent of the claimant's fee revenue *authorized* to be collected, but looked only at the revenue actually collected by the claimant. The Controller found that the claimant failed to provide the student attendance data it used to determine offsetting revenues received and, thus, the Controller recalculated offsetting revenues received by using attendance data the claimant reported to the Chancellor's Office in the normal course of business. The Controller's recalculation resulted in a finding that the claimant underreported fee revenue received during the audit period.<sup>45</sup>

The claimant challenges these findings and also raises the following issues:

- The statute of limitations applicable to the Controller's audit of the fiscal year 1999-2000 and 2000-2001 reimbursement claims. The claimant contends that the audit findings for

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<sup>44</sup> Exhibit B, Controller's comments on IRC, at pages 14 (Tab 2) and 166 (Finding 1, Final Audit Report).

<sup>45</sup> Exhibit B, Controller's comments on IRC, at pages 2 (letter from the Controller's Senior Staff Counsel) and 166 (Finding 2, Final Audit Report).

these two years are void since the audit was not completed by the deadline required by Government Code section 17558.5.

- Additional adjustments to the amounts owed based on two claim payments issued by the state to the claimant for fiscal years 1999-2000 and 2000-2001. The claimant contends that it cannot determine the propriety of these adjustments until the Controller states the reason for the change.<sup>46</sup>

### **III. Positions of the Parties**

#### Pasadena Community College District

Claimant asserts that the Controller incorrectly reduced costs claimed in fiscal years 1999-2000, 2000-2001, and 2001-2002 totaling \$375,941, and requests that the entire amount be reinstated. Specifically, claimant asserts that for fiscal years 1999-2000 and 2000-2001, the audit is barred by the statutory deadline of Government Code section 17558.5.<sup>47</sup> Claimant also argues that the Controller inappropriately reduced indirect costs claimed.<sup>48</sup> For fiscal years 2000-2001 and 2001-2002, claimant argues that the parameters and guidelines do not require claimant to use one of the two alternative formulas for computing indirect cost rates, specifically the federally approved rate that the claimant used for fiscal year 1999-2000.<sup>49</sup>

Claimant further asserts that its reimbursement claims should not be reduced by the amount of fees authorized to be charged, but only by those actually collected.<sup>50</sup> In addition, claimant asserts that the Controller should not have adjusted student enrollment data, using data claimant provided to the California Community Colleges Chancellor's Office, instead of data used to file the reimbursement claims.<sup>51</sup>

Claimant also questions the adjustments made based on payments made by the state.

#### **State Controller's Office**

The Controller argues that, pursuant to Government Code section 17558.5, it timely conducted the audit of the fiscal year 1999-2000 and 2000-2001 reimbursement claims.<sup>52</sup> The Controller also contends that the reductions are correct and supported by the record.<sup>53</sup>

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<sup>46</sup> Exhibit A, IRC, pages 18-21.

<sup>47</sup> Exhibit A, IRC, at pp. 16-19.

<sup>48</sup> Exhibit A, IRC, at pp. 9-10.

<sup>49</sup> Exhibit A, IRC, at, pp. 9-10.

<sup>50</sup> Exhibit A, IRC, at pp. 12-15. However, because the audit only addressed fees actually collected, this is not at issue in this IRC.

<sup>51</sup> Exhibit A, IRC, at p. 15.

<sup>52</sup> Exhibit B, Controller's Comments on IRC, Cover Letter, at pp. 3-4.

<sup>53</sup> Exhibit B, Controller's Comments on IRC.

#### IV. Discussion

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the statement of decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of the parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.<sup>54</sup> The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."<sup>55</sup>

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.<sup>56</sup> Under this standard, the courts have found that:

When reviewing the exercise of discretion, "[t]he scope of review is limited, out of deference to the agency's authority and presumed expertise: 'The court may not reweigh the evidence or substitute its judgment for that of the agency. [Citation.]'" ... "In general ... the inquiry is limited to whether the decision was arbitrary, capricious, or entirely lacking in evidentiary support. . . ." [Citations.] When making that inquiry, the " "court must ensure that an agency has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, the choice made, and the purposes of the enabling statute." [Citation.]' "<sup>57</sup>

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<sup>54</sup> *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

<sup>55</sup> *County of Sonoma, supra*, 84 Cal.App.4th 1264, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

<sup>56</sup> *Johnston v. Sonoma County Agricultural* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

<sup>57</sup> *American Bd. of Cosmetic Surgery, Inc, supra*, 162 Cal.App.4th at pgs. 547-548.

The Commission must review also the Controller's audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.<sup>58</sup> In addition, section 1185.2(c) of the Commission's regulations requires that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission's ultimate findings of fact must be supported by substantial evidence in the record.<sup>59</sup>

**A. The Audit of the Reimbursement Claims for Fiscal Years 1999-2000 and 2000-2001 is Not Barred by the Deadlines Found in Government Code Section 17558.5.**

Claimant asserts that the audit of the 1999-2000 and 2000-2001 reimbursement claims was not timely and, therefore, the audit is void with respect to those claims.

In 2001 when claimant filed these two reimbursement claims, Government Code section 17558.5, as added in 1995, stated the following:

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 is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.<sup>60</sup>

Claimant contends that funds were appropriated for this program for the 1999-2000 and 2000-2001 claim years and, thus, the first sentence of section 17558.5 applies.<sup>61</sup> Since the 1999-2000 reimbursement claim was filed on January 10, 2001 and the 2000-2001 reimbursement claim was filed on December 20, 2001, both claims were subject to audit by the plain language of section 17558.5 until December 31, 2003. The Controller states that it initiated the audit on May 21 2003, when an entrance conference was held for this audit and this fact is not in dispute. However, claimant asserts that "subject to audit" requires the Controller "to complete" the audit no later than two years after the end of the calendar year that the reimbursement claim was filed. Claimant further argues that if the "subject to audit" language is interpreted as requiring the Controller to simply begin the audit before the deadline, it would lead to uncertainty for the claimant in knowing when the statute of limitations would expire.<sup>62</sup> Applying claimant's argument in this case would require the completion of the audit for the 1999-2000 and 2000-

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<sup>58</sup> *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

<sup>59</sup> Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

<sup>60</sup> Government Code section 17558.5 (Stats. 1995, ch. 945, (SB11)). Former Government Code section 17558.5 was originally added by the Legislature by Statutes 1993, chapter 906, effective January 1, 1994. The 1993 statute became inoperative on July 1, 1996, and was repealed on January 1, 1997 by its own terms.

<sup>61</sup> Exhibit A, IRC, at p. 18.

<sup>62</sup> Exhibit A, IRC, at p. 19.

2001 reimbursement claims by December 31, 2003. The Controller did not complete its final audit of these claims until three months later, on March 17, 2004, when the Controller issued the final audit report.

The Controller argues that claimant's reading of Government Code section 17558.5 is based on an erroneous interpretation that attempts to rewrite that section, adding a deadline for completion of the audit where none exists. The Controller asserts that the "subject to audit" language in section 17558.5, as added in 1995, refers to the time the audit is initiated. In this case, the Controller states that the audit of both the 1999-2000 and 2000-2001 claims was initiated at the entrance conference conducted on May 21, 2003, and that this date is within the two years after the end of the calendar year in which the claims were filed pursuant to section 17558.5.

Alternatively, the Controller argues that a 2002 amendment to section 17558.5, which became effective on January 1, 2003, enlarges the statute of limitations to initiate an audit to three years, and that the later enacted statute applies here to give the Controller an additional year to initiate the audit since the audit period for the 1999-2000 and 2000-2001 was still open. In this regard, the Controller states the following:

"Moreover, Government Code section 17558.5 was subsequently amended while the District's claims were still subject to audit. The amended Government Code section 17558.5 that was operative in 2003<sup>63</sup> applies to these claims. Under this amended statute, claims are "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." It is well established that "...any legislative enlargement of the limitation period applies to pending matters not already barred." (43 Cal Jur 3d, Limitations of Actions, section 8.<sup>64</sup>

The Commission finds that the audit of the 1999-2000 and 2000-2001 reimbursement claims was timely initiated and completed under Government Code section 17558.5.

The plain language of Government Code section 17558.5, as added in 1995, does not require the Controller to "complete" the audit within any specified period of time. The plain language of the statute provides that reimbursement claims are "subject to audit" within two years after the end of the calendar year that the reimbursement claim was filed. The phrase "subject to audit" does not require the completion of the audit, but sets a time during which a claimant is on notice that an audit of a claim may occur. This reading is consistent with the plain language of the second sentence, which establishes a longer period of time to initiate the audit when no funds are appropriated for the program as follows:

...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 the initial payment of the claim.

While one rule of statutory construction states that the use of differing language in otherwise parallel statutory provisions (like the use of the word "initiate" in the second sentence, but not in the first sentence) supports an inference that a difference in meaning was intended by the Legislature, the Commission finds that inference is not supportable

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<sup>63</sup> Stats. 2002, chapter 1128 (Assembly Bill 2834), section 14.5, operative January 1, 2003.

<sup>64</sup> Exhibit B, Controller's Comments, Cover Letter, at p. 3.

in this case.<sup>65</sup> Section 17558.5(a) is not a model of clarity. However, a careful reading of the language of the first and second sentences reveals that the primary difference between the two is whether an appropriation has been made for the program. The second sentence clearly refers to situations where funds are *not* appropriated. It can reasonably be inferred from the context that the first sentence, in contrast, refers to situations where funds *are* appropriated. The use of the word “however” to begin the second sentence, signals the contrast between these two situations (when funds are appropriated versus when they are not). There is nothing about the structure or language of the two sentences to suggest that the Legislature intended any other substantive differences between these two parallel sentences. In each situation, the Controller must perform some activity within a two-year period. The use in the second sentence of the phrase “the time for the Controller to initiate an audit” refers back to “the time” defined in the first sentence, namely two years. Similarly, the use of “initiate” in the second sentence refers to what the Controller is required to do within the two-year period. Read in this way, the two sentences are parallel. In the first sentence, when there is an appropriation, the time to initiate an audit is two years. In the second sentence, when there is no appropriation, the time to initiate an audit is also within two years of the first appropriation. The only difference between the two situations is the triggering event of an appropriation that determines when the two-year period to initiate an audit begins to run.

The Commission further finds this interpretation is consistent with the 2002 amendment to the first sentence of section 17558.5, which clarified that “subject to audit” means “subject to the initiation of an audit” as follows:

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 ~~two~~ 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.<sup>66</sup>

Therefore, in this case, the reimbursement claims filed for fiscal years 1999-2000 and 2000-2001 were subject to audit “no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended;” in this case, before December 31, 2003. Since the audit began no later than May 21, 2003, when the entrance conference was conducted, the audit was timely initiated.

The Controller also contends that the 2002 amendment to section 17558.5, which enlarged the period of time to initiate the audit to three years after the date the actual reimbursement claim is filed or last amended, applies in this case and gave the Controller additional time to initiate the audit in this case.<sup>67</sup> The Commission agrees. Pursuant to the *Douglas Aircraft* case, “[u]nless a

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<sup>65</sup> *Fairbanks v. Superior Court* (2009) 46 Cal.4th 56, 62.

<sup>66</sup> Statutes 2002, chapter 1128.

<sup>67</sup> Statutes 2002, chapter 1128.

statute expressly provides to the contrary, any enlargement of a statute of limitations provision applies to matters pending but not already barred.”<sup>68</sup> The Court in *Douglas Aircraft* stated the general rule as follows:

The extension of the statutory period within which an action must be brought is generally held to be valid if made before the cause of action is barred. (*Weldon v. Rogers*, 151 Cal. 432.) The party claiming to be adversely affected is deemed to suffer no injury where he was under an obligation to pay before the period was lengthened. This is on the theory that the legislation affects only the remedy and not a right. (*Mudd v. McColgan*, 30 Cal.2d 463; *Davis & McMillan v. Industrial Acc. Com.*, 198 Cal. 631; 31 Cal.Jur.2d 434.) An enlargement of the limitation period by the Legislature has been held to be proper in cases where the period had not run against a corporation for additional franchise taxes (*Edison Calif. Stores, Inc. v. McColgan*, 30 Cal.2d 472), against an individual for personal income taxes (*Mudd v. McColgan, supra*, 30 Cal.2d 463), and against a judgment debtor (*Weldon v. Rogers, supra*, 151 Cal. 432). It has been held that unless the statute expressly provides to the contrary any such enlargement applies to matters pending but not already barred. (*Mudd v. McColgan, supra*, 30 Cal.2d 463.)<sup>69</sup>

In *Mudd v. McColgan*, relied upon in *Douglas Aircraft*, the Court explained:

It is settled law of this state that an amendment which enlarges a period of limitation applies to pending matters where not otherwise expressly excepted. Such legislation affects the remedy and is applicable to matters not already barred, without retroactive effect. Because the operation is prospective rather than retrospective, there is no impairment of vested rights. [Citations.] Moreover, a party has *no vested right in the running of a statute of limitation prior to its expiration*. He is deemed to suffer no injury if, at the time of an amendment extending the period of limitation for recovery, he is under obligation to pay. In *Campbell v. Holt*, 115 U.S. 620, at page 628, it was said that statutes shortening the period or making it longer have always been held to be within the legislative power until the bar was complete.<sup>70</sup>

And in *Liptak v. Diane Apartments, Inc.*, the Second District Court of Appeal, relying in part on *Mudd, supra*, reasoned:

A party does not have a vested right in the time for the commencement of an action. (*Mill and Lumber Co. v. Olmstead* (1890) 85 Cal. 80, 84-85.) Nor does he have a vested right in the running of the statute of limitations prior to its expiration. (*Mudd v. McColgan* (1947) 30 Cal.2d 463, 468; *Weldon v. Rogers* (1907) 151 Cal. 432, 434.) *A change in the statute of limitations merely effects a change in procedure and the Legislature may shorten the period, however, a reasonable time must be permitted for a party affected to avail himself of the remedy before the statute takes effect.* (*Rosefield Packing Co. v. Superior Court*

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<sup>68</sup> *Douglas Aircraft Co. v. Cranston* (1962) 58 Cal.2d 462, at p. 465.

<sup>69</sup> *Id.*, at page 465.

<sup>70</sup> *Mudd v. McColgan* (1947) 30 Cal.2d 463, 468 [emphasis added].

(1935) 4 Cal.2d 120, 122; *Davis & McMillan v. Industrial Acc. Com.* (1926) 198 Cal. 631, 637; *Mill and Lumber Co. v. Olmstead, supra*, 85 Cal. at p. 84.)<sup>71</sup>

Therefore, an expansion of a statute of limitations applies to matters pending but not already barred, based in part on the theory that a party has no vested right in the running of a statutory period prior to its expiration.<sup>72</sup> In this case, the 2002 amendment to section 17558.5 became effective on January 1, 2003, when the audit period for both reimbursement claims was still pending and not yet barred under the prior statute. The 2002 statute, which enlarged the time to initiate the audit to three years after the date the actual reimbursement claim is filed or last amended would control, and gives the Controller additional time to initiate the audit. The Controller therefore had until January 10, 2004, to initiate the audit of the 1999-2000 reimbursement claim, and had until December 20, 2004, to initiate the 2000-2001 reimbursement claim. Since the audit was initiated no later than May 21, 2003, when the entrance conference was held and before the 2004 deadline, the audit was timely initiated.

Moreover, section 17558.5 was amended in 2004 to establish, for the first time, the requirement to “complete” the audit two years after the audit is commenced. The 2004 amendment became effective *after* the completion of the audit of the reimbursement claims for fiscal years 1999-2000 and 2000-2001 and, thus, does not apply to the audit in this case.

Although the statute in effect at the time the reimbursement claims were filed did not expressly fix the time for which an audit must be completed, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.<sup>73</sup> Claimant argues that it would be “impossible” to know when the statute of limitations would expire under the Controller’s interpretation.<sup>74</sup> However, the claimant was on notice of the audit when the entrance conference was conducted on May 21, 2003; the field audit was completed on November 21, 2003;<sup>75</sup> the draft audit report was issued on January 21, 2004; and the final audit report was issued March 10, 2004.<sup>76</sup> Moreover, there is no evidence that the claimant was prejudiced by the audit process. The audit was completed less than one year after it was started and, under the facts of this case, within a reasonable period of time.

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<sup>71</sup> (1980) 109 Cal.App.3d 762, 773.

<sup>72</sup> *Mudd v. McColgan* (1947) 30 Cal.2d 463, 468

<sup>73</sup> *Cedar-Sinai Medical Center v. Shewry* (2006) 137 Cal.App.4th 964, 985-986. In that case, the court determined that the hospital failed to establish an unreasonable delay in audits conduct by Department of Health Services, since the Department conducted audits two years or less after the end of the fiscal period that it was auditing, which was less than the three-year period permitted by statute. See also, *Steen v. City of Los Angeles* (1948) 31 Cal.2d 542, 546, where the court held that laches applies in quasi-adjudicative proceedings.

<sup>74</sup> Exhibit A, IRC at pp.22-23.

<sup>75</sup> Exhibit A, IRC, Exhibit D, at. p. 52.

<sup>76</sup> See Exhibit A, IRC, Exhibit D, final audit report for the dates of the draft audit report.

Based on the foregoing, the Commission finds that the audit of claimant's reimbursement claims for fiscal years 1999-2000 and 2000-2001 was timely initiated and completed.

**B. The Controller's Recalculation and Reduction of Claimed Indirect Costs is Correct as a Matter of Law and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

The Controller reduced indirect costs claimed by \$157,273 for fiscal years 2000-2001 and 2001-2002. Indirect cost rates of 47.3 percent for fiscal year 2000-2001 and 47.8 percent in fiscal year 2001-2002 were used by the claimant in those years. The Controller did not accept claimant's calculation of its indirect cost rate for these fiscal years as claimant failed to use one of the two options provided in the claiming instructions for calculating indirect costs; either the OMB Circular A-21 or the state's methodology in Form FAM-29C. The Controller recalculated indirect costs for these two fiscal years using the claimant's federally approved rate of 30percent, which was federally approved during the audit period and correctly used by the claimant in the fiscal year 1999-2000 reimbursement claim.<sup>77</sup>

Claimant disputes the Controller's findings that the indirect cost rate proposal was incorrectly applied, charging that the Controller's conclusions were without basis in the law.

1. *The parameters and guidelines expressly require claimants to claim indirect costs in the manner described in the Controller's claiming instructions, which in turn provide for an indirect cost rate to be developed in accordance with federal OMB Circular A-21 guidelines or by using the state Form FAM-29C.*

Parameters and guidelines adopted by the Commission are required to provide instructions for eligible claimants to prepare reimbursement claims for the direct and indirect costs of a state-mandated program.<sup>78</sup> The reimbursement claims filed by the claimants are, likewise, required as a matter of law to be filed in accordance with the parameters and guidelines.<sup>79</sup> The parameters and guidelines for the *Health Fee Elimination* program provide that "*indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.*"<sup>80</sup>

Claimant argues that community college districts are not required to adhere to the claiming instructions.<sup>81</sup> Claimant further argues that the word "may" in the indirect cost language of the parameters and guidelines is permissive, and that therefore the parameters and guidelines do not require that indirect costs be claimed in the manner described by the Controller.<sup>82</sup>

Claimant's argument is unsound: the parameters and guidelines plainly state that "*indirect costs may be claimed in the manner described by the State Controller.*" The interpretation that is consistent with the plain language of the parameters and guidelines is that "indirect costs may be

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<sup>77</sup> Exhibit B, Controller's comments on IRC, at pages 14 (Tab 2) and 166 (Finding 1, Final Audit Report).

<sup>78</sup> Government Code section 17557; California Code of Regulations, title 2, section 1183.7.

<sup>79</sup> Government Code sections 17561(d)(1); 17564(b); and 17571.

<sup>80</sup> Exhibit A, IRC, Exhibit C, at p. 40.

<sup>81</sup> Exhibit A, IRC, at pp. 9-10.

<sup>82</sup> Exhibit A, IRC, Exhibit C at p 10.

claimed,” or may not, but if a claimant chooses to claim indirect costs, the claimant must adhere to the Controller’s claiming instructions. This interpretation is urged by the Controller.<sup>83</sup>

The claiming instructions specific to the *Health Fee Elimination* mandate, revised September 1997,<sup>84</sup> state that “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.” In addition, the School Mandated Cost Manual, revised each year, and containing instructions applicable to all school and community college mandated programs,<sup>85</sup> provides as follows:

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.<sup>86</sup>

The reference in the parameters and guidelines to the Controller’s claiming instructions necessarily includes the general provisions of the School Mandated Cost Manual (and later the Mandated Cost Manual for Community Colleges), and the manual provides ample notice to claimants as to how they may properly claim indirect costs. Claimant’s assertion that “[n]either State law or the parameters and guidelines made compliance with the SCO’s claiming

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<sup>83</sup> Exhibit B, Controller’s Comments, Tab 1, at p 5.

<sup>84</sup> Exhibit B, Controller’s Comments on IRC, Tab 3 at p. 25-29 and Tab 4 at pp. 31-41.

<sup>85</sup> Exhibit B, Controller’s Comments, Tab 3 at pp. 25-29 and Tab 4 at pp. 31-41. School Mandated Cost Manual Excerpts for fiscal years 1999-2000 through 2001-2002.

<sup>86</sup> *Ibid.* The OMB Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements between the federal government and educational institutions. Section G(11) of the OMB Circular A-21 governs the determination and federal approval of indirect cost rates by the “cognizant federal agency,” which is normally either the Federal Department of Health and Human Services or the Department of Defense’s Office of Naval Research. The 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), and “eliminates unallowable expenses and segregates the adjusted expenses between those incurred for direct and indirect activities relative to the mandated cost program.” (Exhibit B, Controller’s response to IRC, page 7.)

instructions a condition of reimbursement”<sup>87</sup> is therefore not correct.<sup>88</sup> The parameters and guidelines, which were duly adopted at a Commission hearing, require compliance with the claiming instructions.

Claimant also argues that because the 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 SCO and not law.”<sup>89</sup> In the *Clovis Unified* case, the Controller’s contemporaneous source document rule, or CSDR, was held to be an unenforceable underground regulation because it was applied generally against school districts and had never been adopted as a regulation under the APA.<sup>90</sup> Here, claimant implies the same fault in the claiming instructions with respect to indirect cost rates. But the distinction is that here the parameters and guidelines, which were duly adopted at a Commission hearing, require compliance with the claiming instructions. Claimant had notice of the requirement in the parameters and guidelines to comply with the claiming instructions and notice of the claiming instructions’ requirements for claiming indirect costs, both prior to and during the claim years in issue and did not challenge the parameters and guidelines or the claiming instructions when they were adopted.

Therefore, the Commission finds that the parameters and guidelines expressly require claimants to claim indirect costs in the manner described in the Controller’s claiming instructions, which in turn provide that an indirect cost rate may be developed in accordance with federal OMB guidelines or by using the state Form FAM-29C; and that claimant had notice of the parameters and guidelines and the claiming instructions, and did not challenge them when they were adopted.

2. *Claimant did not comply with the requirements of the claiming instructions in developing and applying its indirect cost rates for 2000-2001 and 2001-2002. Therefore, the Controller’s reduction is correct as a matter of law and the recalculation of the indirect cost rate using claimant’s federally approved rate was not act arbitrary, capricious, or entirely lacking in evidentiary support.*

In its audit of claimant’s reimbursement claim for fiscal year 2000-2001 and 2001-2002, the Controller found that claimant “claimed indirect costs based upon an indirect cost rate of 47.3 percent and 47.8 percent respectively. The Controller found that this rate was prepared by an outside consultant allegedly “simplifying” OMB Circular A-21 methodology.”<sup>91</sup>

The claiming instructions specify that, to use the OMB Circular A-21 option, a claimant must obtain federal approval, which claimant received and used for fiscal year 1999-2000.<sup>92</sup>

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<sup>87</sup> Exhibit A, IRC, at p. 13.

<sup>88</sup> Government Code section 17564(b) was amended by Statutes 2004, chapter 890, to require: “Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.”

<sup>89</sup> Exhibit A, IRC, p. 12.

<sup>90</sup> *Clovis Unified School Dist.*, *supra*, 188 Cal.App.4th at page 807.

<sup>91</sup> Exhibit A, IRC, Exhibit D, at p.6; Exhibit B, Tab 1, at p. 4.

<sup>92</sup> The Controller did not adjust indirect costs for fiscal year 1999-2000.

However, for fiscal years 2000-2001 and 2001-2002, claimant did not use its federally approved rate, or use the other authorized methodology provided in Form FAM 29C. Thus, since the claimant did not comply with the requirements of the parameters and guidelines and claiming instructions in developing and applying its indirect cost rate to the costs claimed in fiscal years 2000-2001 and 2001-2002, the reduction is correct as a matter of law.

The Controller recalculated claimant's indirect cost rate by using the federally approved rate of 30 percent that claimant used for fiscal year 1999-2000. This resulted in reduced indirect costs for both fiscal years. As claimant failed to follow the parameters and guidelines and claiming instructions in using either its federally approved rate of 30 percent or a rate prepared using the Form FAM-29C, the Controller's action to recalculate the rate using one of the options provided for in the claiming instructions is not arbitrary, capricious, or entirely lacking in evidentiary support.

**C. The Controller's Reduction for Understated Offsetting Revenues is Correct as a Matter of Law, and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

The Controller reduced costs for the three fiscal years by \$287,865 based on unsupported student attendance data used by the claimant to calculate the fees collected. This audit was one of the first performed on the *Health Fee Elimination* program and it occurred before the court's decision in *Clovis Unified School District v. Chiang*. Thus, in this case, the Controller did not consider the extent of the claimant's fee revenue *authorized* to be collected, but looked only at the revenue actually collected by the claimant.<sup>93</sup> The Controller found that the claimant failed to provide the student attendance data it used to determine offsetting revenues received and, thus, the Controller recalculated offsetting revenues received by using attendance data the claimant reported to the Chancellor's Office (the claimant's GLD144-02 printouts).<sup>94</sup> The Controller's recalculation resulted in a finding that the claimant underreported fee revenue received during the audit period.<sup>95</sup>

Claimant disputes the reduction, asserting that the student enrollment data provided in the reimbursement claims was accurate and the Controller should not have recalculated using the data claimant provided to the Chancellor's Office. The Controller states that, during the audit process, claimant was unable to provide documentation to support the enrollment data provided

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<sup>93</sup> *Clovis Unified School Dist. v. Chiang, supra*, 188 Cal.App.4th 794, 812, where the court upheld the Controller's use of the "Health Fee Rule" to reduce reimbursement claims based on the fees districts are *authorized* to charge. In making its decision the court notes that the concept underlying the state mandates process that Government Code sections 17514 and 17556(d) embody is as follows: "To the extent a local agency or school district 'has the authority' to charge for the mandated program or increased level of service, that charge cannot be recovered as a state-mandated cost."

<sup>94</sup> This documentation is in Tab 5 of Exhibit B, Controller's comments on IRC, at pages 42-74.

<sup>95</sup> Exhibit B, Controller's comments on IRC, at pages 2 (letter from the Controller's Senior Staff Counsel) and 166 (Finding 2, Final Audit Report).

in the reimbursement claims.<sup>96</sup> Claimant does not address the issue of documentation in its IRC. The parameters and guidelines require claimants to report:

**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.<sup>97</sup>

Section VII also requires claimants to provide supporting data for auditing purposes as follows: “all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.”<sup>98</sup>

Thus, the parameters and guidelines expressly require claimants to identify offsetting revenue from health service fees for each full-time student enrolled, and further require documentation to support the costs claimed. Full documentation of increased costs, which by definition would include documentation of any offsets, is required.<sup>99</sup> As claimant did not provide any documentation to support its enrollment data, as required by the parameters and guidelines, the Controller’s reduction is correct as a matter of law.

The Commission further finds that the Controller’s recalculation of student enrollment using data provided by claimant to the Chancellor’s Office was not arbitrary, capricious, or entirely lacking in evidentiary support. The documents are public records provided by claimant in the normal course of business, and claimant has provided no other documents to support enrollment data.

Accordingly, the Commission finds that the Controller’s reduction for understated offsetting revenues is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

**D. The Controller’s Adjustment Based on Payments Made to the Claimant is Supported by Evidence in the Record, and is not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

Claimant questions adjustments made by the Controller in the audit to the amounts owed to claimant. The Controller represents that claimant did not acknowledge two warrants received from the state, one for \$26,099 for fiscal year 1999-2000 and one for \$19,270 for fiscal year 2000-2001 in its reimbursement claims. Claimant contends that it cannot

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<sup>96</sup> Exhibit A, IRC, Exhibit D, final audit, at p. 57.

<sup>97</sup> Exhibit X, Parameters and Guidelines at p. 7.

<sup>98</sup> Exhibit X, Parameters and Guidelines, at p. 7.

<sup>99</sup> See Government Code sections 17514, 17557 and 17561(d)(C)(i).

determine the propriety of these adjustments until the Controller states the reason for the change.<sup>100</sup>

The Controller responds as follows:

As clearly stated in the audit report, and reconfirmed in the documentation in Tab 8, the District received two claim payments (\$57,365 issued on 8/1/2001 and \$26,099 issued on 3/9/2001) totaling \$83,464 for fiscal year 1999-2000, and one claim payment of \$19,270 issued on 3/8/2001 for fiscal year 2000-2001. The adjustments were made because of these reimbursement payments the District received.<sup>101</sup>

Tab 8 of the Controller's comments contains copies of the warrants showing payments made to claimant for the mandated program for \$83,464 and \$19,270.<sup>102</sup> These payments are reflected as adjustments in the final audit report for fiscal years 1999-2000 and 2000-2001.<sup>103</sup>

The Commission therefore finds that the Controller's adjustment to claimant's reimbursement claims based on prior payments by the state to claimant is supported by evidence in the record, and is not arbitrary, capricious, or entirely lacking in evidentiary support.

### **Conclusion**

Pursuant to Government Code section 17551(d), the Commission concludes that the Controller's audit of the 1999-2000 and 2000-2001 reimbursement claims was timely, and that the reduction of the following costs is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support:

- The reduction of indirect costs claimed for fiscal years 2000-2001 and 2001-2002 of \$157,273.
- The reduction of costs due to understated offsetting revenue of \$287,865.
- The adjustment to claimant's reimbursement claims based on prior payments made to the claimant for fiscal years 1999-2000.

Accordingly, the Commission denies this IRC.

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<sup>100</sup> Exhibit A, IRC, pages 18-21.

<sup>101</sup> Exhibit B, Controller's comments on IRC, page 3.

<sup>102</sup> Exhibit B, Controller's comments on IRC, pages 102-103.

<sup>103</sup> Exhibit B, Controller's comments on IRC, page 164.

**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 9, 2015, I served the:

**Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**  
*Health Fee Elimination*, 06-4206-I-13  
Education Code Section 76355  
Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118  
Fiscal Years 1999-2000, 2000-2001, and 2001-2002  
Pasadena Area 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 9, 2015 at Sacramento, California.



---

Heidi J. Palchik  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 7/1/14

**Claim Number:** 06-4206-I-13

**Matter:** Health Fee Elimination

**Claimant:** Pasadena Area Community College District

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

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RECEIVED  
January 14, 2015  
Commission on  
State Mandates

**BETTY T. YEE**  
California State Controller

January 13, 2015

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*, 06-4206-I-13  
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  
Pasadena Area Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) draft staff analysis dated January 9, 2015, for the above incorrect reduction claim filed by Pasadena Area Community College District. We support the Commission's conclusion and recommendation.

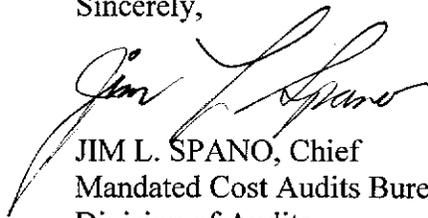
The Commission supported the SCO adjustments related to the following:

- The audit was not time-barred by any statutory or common law limitation.
- Reduction of indirect costs based on recalculation of the indirect cost rates, totaling \$157,273, is correct as a matter of law.
- Reduction based on understated offsetting health service fee revenues, totaling \$287,865, is correct as a matter of law.
- Adjustment to claimant's reimbursement claims based on prior payments made to the claimant.

Heather Halsey, Executive Director  
January 13, 2015  
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jim L. Spano". The signature is fluid and cursive, with a large initial "J" and "S".

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

JLS/sk

14974

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento 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 14, 2015, I served the:

**SCO Comments**

*Health Fee Elimination, 06-4206-I-13*

Pasadena Area Community College District, Claimant

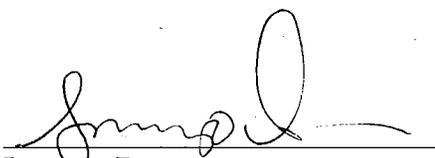
Education Code Section 76355

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

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

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 14, 2015 at Sacramento, California.



Lorenzo Duran  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 7/1/14

**Claim Number:** 06-4206-I-13

**Matter:** Health Fee Elimination

**Claimant:** Pasadena Area Community College District

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# SixTen and Associates

## Mandate Reimbursement Services

Exhibit E

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January 27, 2015

RECEIVED  
January 27, 2015  
Commission on  
State Mandates

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

Dear Ms. Halsey:

RE: CSM 06-4206-I-13  
**Pasadena Area Community College District**  
Fiscal Years: 1999-00, 2000-01, and 2001-02  
Health Fee Elimination  
Incorrect Reduction Claim

I have received the Commission Draft Proposed Decision (DPD) dated January 9, 2015 for the above-referenced incorrect reduction claim, to which I respond on behalf of the District.

### PART A. STATUTE OF LIMITATIONS APPLICABLE TO AUDITS OF ANNUAL REIMBURSEMENT CLAIMS

The District asserted in its incorrect reduction claim filed July 3, 2006, that the first two years of the three claim years audited, fiscal years 1999-00 and 2000-01, were beyond the statute of limitations to complete the audit when the Controller issued its audit report on March 17, 2004. The Commission concludes that the audit was both timely initiated and timely completed.

#### Chronology of Annual Claim Action Dates

March 9, 2000	FY 1999-00 first payment \$26,099
January 10, 2001	FY 1999-00 claim filed by the District
March 8, 2001	FY 2000-01 first payment \$19,270

August 1, 2001	FY 1999-00 second payment \$57,365
December 20, 2001	FY 2000-01 claim filed by the District
March 6, 2002	FY 2001-02 first payment \$46,709
May 21, 2003	Entrance conference conducted
December 31, 2003	Statute of limitations expires FY 1999-00 and FY 2000-01
March 17, 2004	Controller's final audit report issued

Based on the annual claim filing dates, these two fiscal years are subject to the statute of limitations language established by Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996:

(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 is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

#### 1. Audit Initiation

The District's FY 1999-00 annual claim was mailed to the Controller on January 10, 2001. The District's FY 2000-01 annual claim was mailed to the Controller on December 20, 2001. According to the 1995 version of Government Code Section 17558.5 these two annual claims are subject to audit no later than December 31, 2003. The District concurs that the audit of the FY 1999-00 and FY 2000-01 annual claims was *commenced* before the expiration of the statute of limitations to commence an audit. The audit entrance conference of May 21, 2003, precedes the expiration of the date to commence the audit of December 31, 2003.

#### 2. Audit Completion

It is uncontested here that an audit is complete only when the final audit report is issued. 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 to *complete* the audit when the Controller issued its audit report on March 17, 2004.

The Commission (DPD, 17) concludes that the 1995 version of Section 17558.5 "does not require the Controller to 'complete' the audit within any specified period of time." The Commission (DPD, 20) instead relies upon common law remedies:

Although the statute in effect at the time the reimbursement claims were filed did not expressly fix the time for which an audit must be completed, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.<sup>73</sup> Claimant argues that it would be “impossible” to know when the statute of limitations would expire under the Controller’s interpretation.<sup>74</sup> However, the claimant was on notice of the audit when the entrance conference was conducted on May 21, 2003; the field audit was completed on November 21, 2003;<sup>75</sup> the draft audit report was issued on January 21, 2004; and the final audit report was issued March 10 [sic], 2004.<sup>76</sup> Moreover, there is no evidence that the claimant was prejudiced by the audit process. The audit was completed less than one year after it was started and, under the facts of this case, within a reasonable period of time.

Footnote 73 references the *Cedar-Sinai Medical Center* decision, for the proposal that claimants should or could rely upon the defense of laches. This is a misapplication of a decision in a civil matter with equity jurisdiction. The citation does not indicate whether the relevant state agency completed the audit within its three-year statute of limitations, or whether it was so required to do so. This footnote also references *Steen v. City of Los Angeles*, another civil matter, for the unnecessary proposal that a quasi-adjudicative local government agency, with unknown statutory or regulatory jurisdiction, can apply laches. However, the Commission is a state agency with a specific statute of limitations to apply and need not rely on laches, even if the Commission had such common law jurisdiction.

The Commission seems to be asserting that the Controller was required under common law to complete the audit within a reasonable period of time without regard to the positive law of the legislature’s statute of limitations. Reliance on the reasonableness of the actual length of the audit period process would mean in practice that the determination of a reasonable audit completion date would become a question of fact for every audit, which is contrary to the concept of a *statute* of limitations. What objective standards are available for the determination of a reasonable period of time to complete an audit?

The Commission’s reliance on the equitable concept of laches is troublesome. Cases in law are governed by statutes of limitations, which are laws that determine how long a person has to file a lawsuit before the right to sue expires. Laches is the equitable equivalent of statutes of limitations. However, unlike statutes of limitations, laches leaves it up to the adjudicator to determine, based on the unique facts of the case, whether a plaintiff has waited too long to seek relief. Here there is no issue as to whether the District has been tardy in seeking relief. The incorrect reduction claim, the statutory form of relief from an audit, was timely-filed according to the statute.

Laches is a defense to a proceeding in which a plaintiff seeks equitable relief. Cases in equity are distinguished from cases at law by the type of remedy, or judicial relief, sought by the plaintiff. Generally, law cases involve a problem that can be solved by the payment of monetary damages. Equity cases involve remedies directed by the court against a party. An incorrect reduction claim is explicitly a matter of money due to the claimant. The District is not seeking an injunction, where the court orders a party to do or not to do something; declaratory relief, where the court declares the rights of the two parties to a controversy; or an accounting, where the court orders a detailed written statement of money owed, paid, and held.

The Commission has not indicated that it has jurisdiction for equitable remedies. Therefore a Commission finding that there is no evidence of an unreasonable delay in the completion of the audit is without jurisdiction or consequence and simply irrelevant. Or, if the Commission is suggesting that claimant resort to the courts for an equitable remedy on the issue of statute of limitations, that is contrary to fact that the Government Code establishes primary jurisdiction to the Commission for audit disputes, that is, the incorrect reduction claim process.

The adjudication of the audit completion date should end with the 1995 version of Section 17558.5. There is no objective basis or evidence in the record to conclude that the period of time allowed to *complete* an audit is contingent on the notice provision as to when the audit can *commence*. The cases cited by the Commission speak to the issue of *commencing* an audit and the extension of that time by future changes to the statute of limitations. These are not relevant to the issue of the *completion* of the audit. The Commission cites no cases contradicting the practical and inevitable requirement that completion is measured by the date of the audit report.

If, as the Commission asserts, the 1995 version establishes no statutory time limit to complete a timely commenced audit, Section 17558.5 becomes absurd. Once timely commenced, audits could remain unfinished for years either by intent or neglect and the audit findings revised at any time. Thus, the claimant's document retention requirements would become open-ended and eventually punitive. Statutes of limitations are not intended to be open-ended; they are intended to be finite, that is, a period of time measured from an unalterable event, and in the case of the 1995 version of the code, it is the filing date of the annual claim.

#### PART B. APPLICATION OF AN INDIRECT COST RATE Audit Finding 1

The Controller asserts that the District overstated its indirect cost rates and costs in the amount of \$157,273 for FY 2000-01 and FY 2001-02. For FY 1999-00, the audit report states that the District correctly used a "federally approved" rate of 30%. The audit report states "that community college districts have the option of using a federally approved rate prepared in accordance with Office of Management and Budget (OMB) Circular A-21 or the alternative methodology using Form FAM-29C." For FY 2000-01

and FY 2001-02, the audit report, without explanation, reduced the indirect cost rate claimed to the same federally approved rate of 30% used for FY 1999-00. The apparent reason for the reduction was that the indirect cost rates for FY 2000-01 and FY 2001-02 were computed by the District's mandate consultant who prepared the annual claims and those rates were not federally approved.

The threshold Commission conclusion is that claimants must comply with the Controller's claiming instructions and that the Controller's use of its own instructions and forms to recalculate the indirect cost rates was not arbitrary. The District asserts that the Controller's claiming instructions are not alone enforceable as a matter of law as they are not regulations nor were they adopted pursuant to the administrative rulemaking process required to enforce agency manuals and instructions, as did the *Clovis Court*.<sup>1</sup>

The Controller has never asserted that its claiming instructions are alone legally enforceable. Therefore, any documentation standards or cost accounting formulas published in the claiming instructions, to be enforceable, must derive from another source. However, there are no cost accounting standards for calculating the indirect cost rate for the Health Fee Elimination mandate published anywhere except the Controller's claiming instructions.

---

<sup>1</sup> From the Clovis Appellate Court Decision (4):

"Once the Commission determines that a state mandate exists, it adopts regulatory "[P]arameters and [G]uidelines" (P&G's) to govern the state-mandated reimbursement. (§ 17557.) The Controller, in turn, then issues nonregulatory "[C]laiming [I]nstructions" for each Commission-determined mandate; these instructions must derive from the Commission's test claim decision and its adopted P&G's. (§ 17558.) Claiming Instructions may be specific to a particular mandated program, or general to all such programs." Emphasis added.

From the Clovis Appellate Court Decision (15):

"Given these substantive differences between the Commission's pre-May 27, 2004 SDC P&G's and the Controller's CSDR, we conclude that the CSDR implemented, interpreted or made specific the following laws enforced or administered by the Controller: the Commission's pre-May 27, 2004 P&G's for the SDC Program (§ 17558 [the Commission submits regulatory P&G's to the Controller, who in turn issues nonregulatory Claiming Instructions based thereon]; and the Controller's statutory authority to audit state-mandated reimbursement claims (§ 17561, subd. (d)(2))." Emphasis added.

The Commission (DPD, 21, 22) instead relies upon the “plain language” of the 1989 parameters and guidelines:

Claimant’s argument is unsound: the parameters and guidelines plainly state that “indirect costs *may be claimed in the manner described by the State Controller.*” The interpretation that is consistent with the plain language of the parameters and guidelines is that “indirect costs may be claimed,” or may not, but if a claimant chooses to claim indirect costs, the claimant must adhere to the Controller’s claiming instructions. This interpretation is urged by the Controller.<sup>83</sup>

Claiming indirect costs is not conditional on the claiming instruction methods. Colleges “may” claim indirect costs, or any other eligible cost, on every mandate, not just Health Fee Elimination. The Commission attribution of the conditional “may” to the ultimate decision to claim indirect costs, rather than the subsequent discretionary choice to use claiming instructions method is gratuitous.

Regarding the requirement for the administrative rulemaking process to enforce agency manuals and instructions, the Commission (DPD, 23) misses the factual issue:

Claimant also argues that because the 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 SCO and not law.”<sup>89</sup> In the *Clovis Unified* case, the Controller’s contemporaneous source document rule, or CSDR, was held to be an unenforceable underground regulation because it was applied generally against school districts and had never been adopted as a regulation under the APA.<sup>90</sup> Here, claimant implies the same fault in the claiming instructions with respect to indirect cost rates. But the distinction is that here the parameters and guidelines, which were duly adopted at a Commission hearing, require compliance with the claiming instructions. Claimant had notice of the requirement in the parameters and guidelines to comply with the claiming instructions and notice of the claiming instructions’ requirements for claiming indirect costs, both prior to and during the claim years in issue and did not challenge the parameters and guidelines or the claiming instructions when they were adopted.

The Controller’s use of the FAM-29C method for audit purposes is a standard of general application without appropriate state agency rulemaking and is therefore unenforceable (Government Code Section 11340.5). The formula is not an exempt audit guideline (Government Code Section 11340.9(e)). State agencies are prohibited from enforcing underground regulations. If a state agency issues, enforces, or attempts to enforce a rule without following the Administrative Procedure Act, when it is required to, the rule is called an “underground regulation.” Further, the audit adjustment is a financial penalty against the District, and since the adjustment is based on an underground regulation, the formula cannot be used for the audit adjustment

(Government Code Section 11425.50).

Instead, the Commission defaults to a threadbare excuse that either this District or some other District should have challenged the parameters and guidelines. This presupposes that the Commission finding today, that the use of “may” is really mandatory, would rationally occur, or did occur, to anyone during the process of adoption of the parameters and guidelines in 1989. When the parameters and guidelines were proposed and adopted, they were not circulated to all districts for review or notice. Further, the original adoption of the parameters and guidelines occurs before the claiming instructions are released for a new program. The Commission is, in this decision now, interpreting post-facto the legal significance of the parameters and guidelines language, and cannot fault or preempt a contrary assertion by the District today by relying upon the ephemeral and very limited scope of notice and participation permitted by the Commission parameters and guidelines adoption process.

Somehow the “assistance” provided by the claiming instructions has become a requirement even though the parameters and guidelines use the word “may.” The Commission now has concluded that the contents of the claiming instructions are as a matter of law derivative of the authority of the parameters and guidelines, without benefit of a legal citation for this leap of jurisprudence. Assuming for argument that the leap can be made, would that derivative authority continue for any changes made to the claiming instructions after the adoption of the 1989 parameters and guidelines, that is, an open-ended commitment of the Commission’s authority to the Controller who can make changes without reference to the Commission process? Is this derivative authority limited to Health Fee Elimination or applicable to all mandates?

Note that the Health Fee Elimination parameters and guidelines were amended on January 29, 2010. However, the indirect cost rate language remained the same:

### 3. Allowable Overhead Cost

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

The Commission has had numerous opportunities to clarify its intent and language regarding the indirect cost rate calculation methods and resolve or avoid the delegation and derivation issue. For example, and by contrast, the parameters and guidelines language for the new college mandate Cal Grants, adopted on the same date as the January 29, 2010, amendment for Health Fee Elimination, has the needed specific and comprehensive language:

#### B. Indirect Cost Rates

Indirect costs are costs that have been incurred for common or joint purposes.

These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, "Cost Principles of Educational Institutions"; (2) the rate calculated on State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

This language in the parameters and guidelines for Cal Grants makes the Controller's guidance on the suggested three choices of indirect cost calculation methods legally enforceable. The Commission properly adopted this language within the scope of their discretion and has utilized it in college mandate parameters and guidelines since at least 2002. However, this language has never been adopted by the Commission for Health Fee Elimination. The District agrees that the parameters and guidelines have the force of law, but that it does not extend by reference (tenuous or not) to the general or specific claiming instructions for Health Fee Elimination. Neither the Commission nor the Controller have ever adopted the Controller's claiming instructions pursuant to the process required by the Administrative Procedure Act, nor has the Commission ever before stated that parameters and guidelines are subordinate to the Controller's claiming instructions.

In the absence of legally enforceable claiming instructions, rules or methods, or standards or specific language in the parameters and guidelines for the indirect cost rate calculation, the remaining standard is Government Code Section 17561. No particular indirect cost rate calculation method is required by law. Government Code Section 17561(d)(2) requires the Controller to pay claims, provided that the Controller may audit the records of any 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 if the Controller determines the claim to be excessive or unreasonable. Here, the District apparently computed indirect cost rates utilizing cost accounting principles from the Office of Management and Budget Circular A-21, and the Controller has disallowed the rates without a determination of whether the product of the District's calculation is excessive, unreasonable, or inconsistent with cost accounting principles.

There is no rebuttable presumption for this mandate that the Controller's methods are per se the only reasonable method. The Controller made no determination as to whether the method used by the District was reasonable or not, but merely substituted the Controller's method for the method used by the District. The substitution of the Controller's method is an arbitrary choice of the auditor, not a "finding" enforceable either by fact or law. In order to move forward with the adjustment, the burden of proof is on the Controller to prove that the District's calculation is unreasonable. Indeed, federally "approved" rates which the Controller will accept without further action, are "negotiated" rates calculated by the district and submitted for approval, indicating that the process is not an exact science, but a determination of the relevance and reasonableness of the cost allocation assumptions made for the method used. Neither the Commission nor the Controller can assume that the Controller's calculation methods are intrinsically more accurate and the Commission cannot shift that burden or create the presumption to the contrary where none is present in law.

PART C. UNDERSTATED OFFSETTING REVENUES Audit Finding 2

Student health service fees collected reduce the total reimbursable costs. The audit reduced the claimed offset by \$287,865. The audit report states that since the District was unable to provide enrollment data, the Controller audited the District's revenue ledgers. This was a choice of methods by the Controller.

The Commission (DPD, 24) correctly notes that the Controller did not calculate the "fee revenue *authorized* to be collected" according to the Health Fee Rule approved by the *Clovis* case which was decided after the audit was completed. However, the Commission is in error when it states (DPD, 24) that "the Controller recalculated offsetting revenues received by using attendance data the claimant reported to the Chancellor's Office (the claimant's GLD144-02 printouts)." See the Controller's December 31, 2007, rebuttal to the incorrect reduction claim, at Tab 2, page 9, which states that enrollment statistics were not used. The GLD printouts are District revenue ledgers (attached to the December 31, 2007, rebuttal at Tab 5). Thus, the Commission (DPD, 25) incorrectly concludes that the Controller "recalculated" the student enrollment based on enrollment:

The Commission further finds that the Controller's recalculation of student enrollment using data provided by claimant to the Chancellor's Office was not arbitrary, capricious, or entirely lacking in evidentiary support. The documents are public records provided by claimant in the normal course of business, and claimant has provided no other documents to support enrollment data.

The Controller did not calculate the authorized collectible amount or otherwise use enrollment statistics to calculate the offset, so the absence of enrollment data, from any source, is irrelevant here and not a basis to approve the adjustment unless the Commission believes adjustments can be used for purpose of penalizing claimants.

Notwithstanding, and as separate basis for its finding, the Commission (DPD, 25) incorrectly concludes that districts are required to provide enrollment data to facilitate the calculation of collectible amounts:

Thus, the parameters and guidelines expressly require claimants to identify offsetting revenue from health service fees for each full-time student enrolled, and further require documentation to support the costs claimed. Full documentation of increased costs, which by definition would include documentation of any offsets, is required.<sup>99</sup> As claimant did not provide any documentation to support its enrollment data, as required by the parameters and guidelines, the Controller's reduction is correct as a matter of law.

The Commission has not cited from the parameters and the guidelines a requirement to provide enrollment data or for the District to otherwise facilitate the application of the Health Fee Rule. So, this is not a default basis to approve the adjustment

The District agrees that claimants and state agencies are bound to apply the Health Fee Rule as decided law and that this extends to retroactive fiscal years still within the Commission's or Controller's jurisdiction. On October 27, 2011, the Commission adopted a consolidated statement of decision for seven Health Fee Elimination incorrect reduction claims. The statement of decision for these seven districts included issues presented in this current incorrect reduction claim. The application of the Health Fee Rule, as determined by the Commission's October 27, 2011, statement of decision, however, involves two factual elements: the number of exempt students and the specific enrollment statistics for each semester. That decision approved the Controller's use of specific Community College Chancellor's MIS data to obtain these enrollment amounts. That approved method is stated in the more recent HFE audits as:

**FINDING— Understated authorized health service fees**

We obtained student enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its management information system (MIS) based on student data that the district reported. CCCCCO identified the district's enrollment based on its MIS data element STD7, codes A through G. CCCCCO eliminated any duplicate students based on their Social Security numbers. *Cited from the October 19, 2012 HFE Audit Report for State Center CCD. Available at the Controller's web site.*

For the audit of this District, completed before the October 27, 2011, Commission decision, enrollment statistics were not used by the auditor. Therefore, to properly implement the Health Fee Rule, it will be necessary for the Controller to utilize the statistics approved by the October 27, 2011, decision. Until then, the Commission's ultimate conclusion that the adjustments here are not arbitrary or lacking in evidentiary support is unfounded.

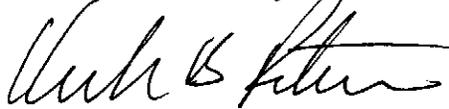
**PART D. CLAIM PAYMENTS MADE TO THE DISTRICT**

Until the Controller's December 31, 2007, rebuttal to the July 3, 2006, incorrect reduction claim, the District was unable to confirm, by state agency written evidence in the record, the payments made on the annual claims. This issue is no longer in dispute.

**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 submission is true and complete to the best of my own knowledge or information or belief, and that any attached documents are true and correct copies of documents received from or sent by the District or state agency which originated the document.

Executed on January 27, 2015, at Sacramento, California, by



Keith B. Petersen, President  
SixTen & Associates

Service by Commission Electronic Drop Box

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento 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 28, 2015, I served the:

**Claimant Comments**

*Health Fee Elimination, 06-4206-I-13*

Pasadena Area Community College District, Claimant

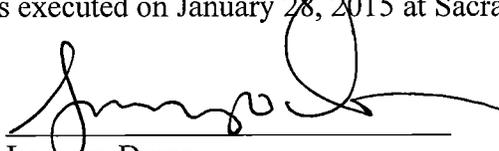
Education Code Section 76355

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

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

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 28, 2015 at Sacramento, California.



Lorenzo Duran  
Commission on State Mandates  
980 Ninth Street, Suite 300  
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(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 1/20/15

**Claim Number:** 06-4206-I-13

**Matter:** Health Fee Elimination

**Claimant:** Pasadena Area 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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CIRCULAR A-21 (Revised 05/10/04)

CIRCULAR NO. A-21

Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS  
SUBJECT: Cost Principles for Educational Institutions

1. Purpose. This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

2. Supersession. The Circular supersedes Federal Management Circular 73-8, dated December 19, 1973. FMC 73-8 is revised and reissued under its original designation of OMB Circular No. A-21.

3. Applicability.

a. All Federal agencies that sponsor research and development, training, and other work at educational institutions shall apply the provisions of this Circular in determining the costs incurred for such work. The principles shall also be used as a guide in the pricing of fixed price or lump sum agreements.

b. In addition, Federally Funded Research and Development Centers associated with educational institutions shall be required to comply with the Cost Accounting Standards, rules and regulations issued by the Cost Accounting Standards Board, and set forth in 48 CFR part 99; provided that they are subject thereto under defense related contracts.

4. Responsibilities. The successful application of cost accounting principles requires development of mutual understanding between representatives of educational

institutions and of the Federal Government as to their scope, implementation, and interpretation.

5. Attachment. The principles and related policy guides are set forth in the Attachment, "Principles for determining costs applicable to grants, contracts, and other agreements with educational institutions."

6. Effective date. The provisions of this Circular shall be effective October 1, 1979, except for subsequent amendments incorporated herein for which the effective dates were specified in these revisions (47 FR 33658, 51 FR 20908, 51 FR 43487, 56 FR 50224, 58 FR 39996, 61 FR 20880, 63 FR 29786, 63 FR 57332, 65 FR 48566 and 69 FR 25970). Institutions as of the start of their first fiscal year beginning after that date shall implement the provisions. Earlier implementation, or a delay in implementation of individual provisions, is permitted by mutual agreement between an institution and the cognizant Federal agency.

7. Inquiries. Further information concerning this Circular may be obtained by contacting the Office of Federal Financial Management, Office of Management and Budget, Washington, DC 20503, telephone (202) 395-3993.

#### Attachment

#### PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS, CONTRACTS, AND OTHER AGREEMENTS WITH EDUCATIONAL INSTITUTIONS

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4. Inquiries

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Exhibit A - List of Colleges and Universities Subject to Section J.12.h of Circular A-21

Exhibit B - Listing of Institutions that are eligible for the utility cost adjustment

Exhibit C - Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate

Appendix A - CASB's Cost Accounting Standards (CAS)

Appendix B - CASB's Disclosure Statement (DS-2)

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PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS,  
CONTRACTS, AND OTHER AGREEMENTS WITH  
EDUCATIONAL INSTITUTIONS

A. Purpose and scope.

1. Objectives. This Attachment provides principles for determining the costs applicable to research and development, training, and other sponsored work performed by colleges and universities under grants, contracts, and other agreements with the Federal Government. These agreements are referred to as sponsored agreements.

2. Policy guides. The successful application of these cost accounting principles requires development of mutual understanding between representatives of universities and of the Federal Government as to their scope, implementation, and interpretation. It is recognized that --

a. The arrangements for Federal agency and institutional participation in the financing of a research, training, or other project are properly subject to negotiation between the agency and the institution concerned, in accordance with such governmentwide criteria or legal requirements as may be applicable.

b. Each institution, possessing its own unique combination of staff, facilities, and experience, should be encouraged to conduct research and educational activities in a manner consonant with its own academic philosophies and institutional objectives.

c. The dual role of students engaged in research and the resulting benefits to sponsored agreements are fundamental to the research effort and shall be recognized in the application of these principles.

d. Each institution, in the fulfillment of its obligations, should employ sound management practices.

e. The application of these cost accounting principles should require no significant changes in the generally accepted accounting practices of colleges and universities. However, the accounting practices of individual colleges and universities must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to sponsored agreements.

f. Cognizant Federal agencies involved in negotiating facilities and administrative (F&A) cost rates and auditing should assure that institutions are generally applying these cost accounting principles on a consistent basis. Where wide variations exist in the treatment of a given cost item among institutions, the reasonableness and equitableness of such treatments should be fully considered during the rate negotiations and audit.

3. Application. These principles shall be used in determining the allowable costs of work performed by colleges and universities 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 circulars 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 OMB Circulars A-87 (Attachment A, subsection C.3), "Cost Principles

for State, Local, and Indian Tribal Governments," A-21 (Section C, subpart 4), "Cost Principles for Educational Institutions," and A-122 (Attachment A, subsection A.4), "Cost Principles for Non-Profit Organizations," and from all of the administrative requirements provisions of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and the agencies' grants management common rule.

(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 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 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 Circular, 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; and

(3) specialized service facilities described in Section J.47. 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 Circular, 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 a F&A cost activity, as described in Section F. 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 Circular, 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 Circular and as currently used in Appendices A and B. The F&A cost categories are described in Section F.1.

#### 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 5.

2. Factors affecting allowability of costs. The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) 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: (a) 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; (b) 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; (c) 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, (d) 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 (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, 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 Circular 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 d. (1) and (2).

(4) Documentation. Federal requirements for documentation are specified in this Circular, Circular A-110, "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 d. (2), 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 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 1 through 5.

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 Circular, 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, 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 Circular.

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 (a) are unallowable as specified by (i) law or regulation, (ii) Section J of this Circular, (iii) terms and conditions of sponsored agreements, or (b) 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 finalized to avoid duplicate recovery of the unallowable costs by the Federal Government.

c. For rates covering the current period, either a rate adjustment or a refund, as described in subsections a and b, shall be required by the cognizant agency. The choice of method shall be at the discretion of the cognizant agency, based on its judgment as to which method would be most practical.

d. The amount or proportion of unallowable costs included in each year's rate will be assumed to be the same as the amount or proportion of unallowable costs included in the base year proposal used to establish the rate.

10. Consistency in estimating, accumulating and reporting costs.

a. An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the educational institution's cost accounting practices used in accumulating and reporting costs.

b. An educational institution's cost accounting practices used in accumulating and reporting actual costs for a sponsored agreement shall be consistent with the educational institution's practices used in estimating costs in pricing the related proposal or application.

c. The grouping of homogeneous costs in estimates prepared for proposal purposes shall not per se be deemed an inconsistent application of cost accounting practices under subsection a when such costs are accumulated and reported in greater detail on an actual cost basis during performance of the sponsored agreement.

d. Appendix A also reflects this requirement, along with the purpose, definitions, and techniques for application, all of which are authoritative.

11. Consistency in allocating costs incurred for the same purpose.

a. All costs incurred for the same purpose, in like circumstances, are either direct costs only or F&A costs only with respect to final cost objectives. No final cost objective shall have allocated to it as a cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any F&A cost pool to be allocated to that or any other final cost objective.

b. Appendix A reflects this requirement along with its purpose, definitions, and techniques for application, illustrations and interpretations, all of which are authoritative.

12. Accounting for unallowable costs.

a. Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement.

b. Costs which specifically become designated as unallowable as a result of a written decision furnished by a Federal official pursuant to sponsored agreement disputes procedures shall be identified if included in or used in the computation of any billing, claim, or proposal applicable to a sponsored agreement. This identification requirement applies also to any costs incurred for the same purpose under like circumstances as the costs specifically identified as unallowable under either this subsection or subsection a.

c. Costs which, in a Federal official's written decision furnished pursuant to sponsored agreement disputes procedures, are designated as unallowable directly associated costs of unallowable costs covered by either subsection a or b shall be accorded the identification required by subsection b.

d. The costs of any work project not contractually authorized by a sponsored agreement, whether or not related to performance of a proposed or existing sponsored agreement, shall be accounted for, to the extent appropriate, in a manner which permits ready separation from the costs of authorized work projects.

e. All unallowable costs covered by subsections a through d shall be subject to the same cost accounting principles governing cost allocability as allowable costs. In circumstances where these unallowable costs normally would be part of a regular F&A cost allocation base or bases, they shall remain in such base or bases. Where a directly associated cost is part of a category of costs normally included in a F&A cost pool that shall be allocated over a base containing the unallowable cost with which it is associated, such a directly associated cost shall be retained in the F&A cost pool and be allocated through the regular allocation process.

f. Where the total of the allocable and otherwise allowable costs exceeds a limitation-of-cost or ceiling-price provision in a sponsored agreement, full direct and F&A cost allocation shall be made to the sponsored agreement cost objective, in accordance with established cost accounting practices and standards which regularly govern a given entity's allocations to sponsored agreement cost objectives. In any determination of a cost overrun, the amount thereof shall be identified in terms of the excess of allowable costs over the ceiling amount, rather than through specific identification of particular cost items or cost elements.

g. Appendix A reflects this requirement, along with its purpose, definitions, techniques for application, and illustrations of this standard, all of which are authoritative.

13. Cost accounting period.

a. Educational institutions shall use their fiscal year as their cost accounting period, except that:

(1) Costs of a F&A function which exists for only a part of a cost accounting period may be allocated to cost objectives of that same part of the period on the basis of data for that part of the cost accounting period if the cost is: (i) material in amount, (ii) accumulated in a separate F&A cost pool or expense pool, and (iii) allocated on the basis of an appropriate direct measure of the activity or output of the function during that part of the period.

(2) An annual period other than the fiscal year may, upon mutual agreement with the Federal Government, be used as the cost accounting period if the use of such period is an established practice of the educational institution and is consistently used for managing and controlling revenues and disbursements, and appropriate accruals, deferrals or other adjustments are made with respect to such annual periods.

(3) A transitional cost accounting period other than a year shall be used whenever a change of fiscal year occurs.

b. An educational institution shall follow consistent practices in the selection of the cost accounting period or periods in which any types of expense and any types of adjustment to expense (including prior-period adjustments) are accumulated and allocated.

c. The same cost accounting period shall be used for accumulating costs in a F&A cost pool as for establishing its allocation base, except that the Federal Government and educational institution may agree to use a different period for establishing an allocation base, provided:

(1) The practice is necessary to obtain significant administrative convenience,

(2) The practice is consistently followed by the educational institution,

(3) The annual period used is representative of the activity of the cost accounting period for which the F&A costs to be allocated are accumulated, and

(4) The practice can reasonably be estimated to provide a distribution to cost objectives of the cost accounting period not materially different from that which otherwise would be obtained.

d. Appendix A reflects this requirement, along with its purpose, definitions, techniques for application and illustrations, all of which are authoritative.

14. Disclosure Statement.

a. Educational institutions that received aggregate sponsored agreements totaling \$25 million or more subject to this Circular during their most recently completed fiscal year shall disclose their cost accounting practices by filing a Disclosure Statement (DS-2), which is reproduced in Appendix B. With the approval of the cognizant agency, an educational institution may meet the DS-2 submission by submitting the DS-2 for each business unit that received \$25 million or more in sponsored agreements.

b. The DS-2 shall be submitted to the cognizant agency with a copy to the educational institution's audit cognizant office.

c. Educational institutions receiving \$25 million or more in sponsored agreements that are not required to file a DS-2 pursuant to 48 CFR 9903.202-1 shall file a DS-2 covering the first fiscal year beginning after the publication date of this revision, within six months after the end of that fiscal year. Extensions beyond the above due date may be granted by the cognizant agency on a case-by-case basis.

d. Educational institutions are responsible for maintaining an accurate DS-2 and complying with disclosed cost accounting practices. Educational institutions must file amendments to the DS-2 when disclosed practices are changed to comply with a new or modified standard, or when practices are changed for other reasons. Amendments of a DS-2 may be submitted at any time. If the change is expected to have a material impact on the educational institution's negotiated F&A cost rates, the revision shall be approved by the cognizant agency before it is implemented. Resubmission of a complete, updated DS-2 is discouraged except when there are extensive changes to disclosed practices.

e. Cost and funding adjustments. Cost adjustments shall be made by the cognizant agency if an educational institution fails to comply with the cost policies in this Circular or fails to consistently follow its established or disclosed cost accounting practices when estimating, accumulating or reporting the costs of sponsored agreements, if aggregate cost impact on sponsored agreements is material. The cost adjustment shall normally be made on an aggregate basis for all affected sponsored agreements through an adjustment of the educational institution's future F&A costs rates or other means considered appropriate by the cognizant agency. Under the terms of CAS-covered contracts, adjustments in the amount of funding provided may also be required when the estimated proposal costs were not determined in accordance with established cost accounting practices.

f. Overpayments. Excess amounts paid in the aggregate by the Federal Government under sponsored agreements due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs shall be credited or refunded, as deemed appropriate by the cognizant agency. Interest applicable to the excess amounts paid in the aggregate during the period of noncompliance shall also be determined and collected in accordance with applicable Federal agency regulations.

g. Compliant cost accounting practice changes. Changes from one compliant cost accounting practice to another compliant practice that are approved by the cognizant agency may require cost adjustments if the change has a material effect on sponsored agreements and the changes are deemed appropriate by the cognizant agency.

h. Responsibilities. The cognizant agency shall:

(1) Determine cost adjustments for all sponsored agreements in the aggregate on behalf of the Federal Government. Actions of the cognizant agency official in making cost adjustment determinations shall be coordinated with all affected Federal agencies to the extent necessary.

(2) Prescribe guidelines and establish internal procedures to promptly determine on behalf of the Federal Government that a DS-2 adequately discloses the educational institution's cost accounting practices and that the disclosed practices are compliant with applicable CAS and the requirements of this Circular.

(3) Distribute to all affected agencies any DS-2 determination of adequacy and/or noncompliance.

#### D. Direct costs.

1. General. Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

2. Application to sponsored agreements. Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements. Typical costs

charged directly to a sponsored agreement are the compensation of employees for performance of work under the sponsored agreement, including related fringe benefit costs to the extent they are consistently treated, in like circumstances, by the institution as direct rather than F&A costs; the costs of materials consumed or expended in the performance of the work; and other items of expense incurred for the sponsored agreement, including extraordinary utility consumption. The cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations may be included as direct costs of sponsored agreements, provided such items are consistently treated, in like circumstances, by the institution as direct rather than F&A costs, and are charged under a recognized method of computing actual costs, and conform to generally accepted cost accounting practices consistently followed by the institution.

E. F&A costs.

1. General. F&A costs are those 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. See Section F.1 for a discussion of the components of F&A costs.

2. Criteria for distribution.

a. Base period. A base period for distribution of F&A costs is the period during which the costs are incurred. The base period normally should coincide with the fiscal year established by the institution, but in any event the base period should be so selected as to avoid inequities in the distribution of costs.

b. Need for cost groupings. The overall objective of the F&A cost allocation process is to distribute the F&A costs described in Section F to the major functions of the institution in proportions reasonably consistent with the nature and extent of their use of the institution's resources. In order to achieve this objective, it may be necessary to provide for selective distribution by establishing separate groupings of cost within one or more of the F&A cost categories referred to in subsection 1. In general, the cost groupings established within a category should constitute, in each case, a pool of those items of expense that are considered to be of like nature in terms of their relative contribution to (or degree of remoteness from) the particular cost objectives to which distribution is appropriate. Cost groupings should be established considering the general guides provided in subsection c. Each such pool or cost grouping should then be

distributed individually to the related cost objectives, using the distribution base or method most appropriate in the light of the guides set forth in subsection d.

c. General considerations on cost groupings. The extent to which separate cost groupings and selective distribution would be appropriate at an institution is a matter of judgment to be determined on a case-by-case basis. Typical situations which may warrant the establishment of two or more separate cost groupings (based on account classification or analysis) within an F&A cost category include but are not limited to the following:

(1) Where certain items or categories of expense relate solely to one of the major functions of the institution or to less than all functions, such expenses should be set aside as a separate cost grouping for direct assignment or selective allocation in accordance with the guides provided in subsections b and d.

(2) Where any types of expense ordinarily treated as general administration or departmental administration are charged to sponsored agreements as direct costs, expenses applicable to other activities of the institution when incurred for the same purposes in like circumstances must, through separate cost groupings, be excluded from the F&A costs allocable to those sponsored agreements and included in the direct cost of other activities for cost allocation purposes.

(3) Where it is determined that certain expenses are for the support of a service unit or facility whose output is susceptible of measurement on a workload or other quantitative basis, such expenses should be set aside as a separate cost grouping for distribution on such basis to organized research, instructional, and other activities at the institution or within the department.

(4) Where activities provide their own purchasing, personnel administration, building maintenance or similar service, the distribution of general administration and general expenses, or operation and maintenance expenses to such activities should be accomplished through cost groupings which include only that portion of central F&A costs (such as for overall management) which are properly allocable to such activities.

(5) Where the institution elects to treat fringe benefits as F&A charges, such costs should be set aside as a separate cost grouping for selective distribution to related cost objectives.

(6) The number of separate cost groupings within a category should be held within practical limits, after taking into consideration the materiality of the amounts involved and the degree of precision attainable through less selective methods of distribution.

d. Selection of distribution method.

(1) Actual conditions must be taken into account in selecting the method or base to be used in distributing individual cost groupings. The essential consideration in selecting a base is that it be the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither benefit nor cause and effect relationship is determinable.

(2) Where a cost grouping can be identified directly with the cost objective benefited, it should be assigned to that cost objective.

(3) Where the expenses in a cost grouping are more general in nature, the distribution may be based on a cost analysis study which results in an equitable distribution of the costs. Such cost analysis studies may take into consideration weighting factors, population, or space occupied if appropriate. Cost analysis studies, however, must (a) be appropriately documented in sufficient detail for subsequent review by the cognizant Federal agency, (b) distribute the costs to the related cost objectives in accordance with the relative benefits derived, (c) be statistically sound, (d) be performed specifically at the institution at which the results are to be used, and (e) be reviewed periodically, but not less frequently than every two years, updated if necessary, and used consistently. Any assumptions made in the study must be stated and explained. The use of cost analysis studies and periodic changes in the method of cost distribution must be fully justified.

(4) If a cost analysis study is not performed, or if the study does not result in an equitable distribution of the costs, the distribution shall be made in accordance with the appropriate base cited in Section F, unless one of the following conditions is met: (a) it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to sponsored agreements, or (b) the institution qualifies for, and elects to use, the simplified method for computing F&A cost rates described in Section H.

(5) Notwithstanding subsection (3), effective July 1, 1998, a cost analysis or base other than that in Section F shall

not be used to distribute utility or student services costs. Instead, subsections F.4.c and F.4.d may be used in the recovery of utility costs.

e. Order of distribution.

(1) F&A costs are the broad categories of costs discussed in Section F.1.

(2) Depreciation and use allowances, operation and maintenance expenses, and general administrative and general expenses should be allocated in that order to the remaining F&A cost categories as well as to the major functions and specialized service facilities of the institution. Other cost categories may be allocated in the order determined to be most appropriate by the institutions. When cross allocation of costs is made as provided in subsection (3), this order of allocation does not apply.

(3) Normally an F&A cost category will be considered closed once it has been allocated to other cost objectives, and costs may not be subsequently allocated to it. However, a cross allocation of costs between two or more F&A cost categories may be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the F&A cost categories described in Section F is required.

#### F. Identification and assignment of F&A costs.

1. Definition of Facilities and Administration. F&A costs are broad categories of costs. "Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses. "Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically under one of the subcategories of Facilities (including cross allocations from other pools).

2. Depreciation and use allowances.

a. The expenses under this heading are the portion of the costs of the institution's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with Section J.14.

b. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be allocated in the following manner:

(1) Depreciation or use allowances on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, shall be assigned to that function.

(2) Depreciation or use allowances on buildings used for more than one function, and on capital improvements and equipment used in such buildings, shall be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas such as hallways, stairwells, and rest rooms.

(3) Depreciation or use allowances on buildings, capital improvements and equipment related to space (e.g., individual rooms, laboratories) used jointly by more than one function (as determined by the users of the space) shall be treated as follows. The cost of each jointly used unit of space shall be allocated to benefiting functions on the basis of:

(a) the employee full-time equivalents (FTEs) or salaries and wages of those individual functions benefiting from the use of that space; or

(b) institution-wide employee FTEs or salaries and wages applicable to the benefiting major functions (see Section B.1) of the institution.

(4) Depreciation or use allowances on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, shall be allocated to user categories of students and employees on a full-time equivalent basis. The amount allocated to the student category shall be assigned to the instruction function of the institution. The amount allocated to the employee category shall be further allocated to the major functions of the institution in proportion to the salaries and wages of all employees applicable to those functions.

c. Large research facilities. The following provisions apply to large research facilities that are included in F&A rate proposals negotiated after January 1, 2000, and on which the design and construction begin after July 1, 1998. Large facilities, for this provision, are defined as buildings with construction costs of more than \$10 million. The determination of the Federal participation (use) percentage in a building is based on institution's estimates of building use over its life, and is made during the planning phase for the building.

(1) When an institution has large research facilities, of which 40 percent or more of total assignable space is expected for Federal use, the institution must maintain an adequate review and approval process to ensure that construction costs

are reasonable. The review process shall address and document relevant factors affecting construction costs, such as:

- Life cycle costs
- Unique research needs
- Special building needs
- Building site preparation
- Environmental consideration
- Federal construction code requirements
- Competitive procurement practices

The approval process shall include review and approval of the projects by the institution's Board of Trustees (which can also be called Board of Directors, Governors or Regents) or other independent entities.

(2) For research facilities costing more than \$25 million, of which 50 percent or more of total assignable space is expected for Federal use, the institution must document the review steps performed to assure that construction costs are reasonable. The review should include an analysis of construction costs and a comparison of these costs with relevant construction data, including the National Science Foundation data for research facilities based on its biennial survey, "Science and Engineering Facilities at Colleges and Universities." The documentation must be made available for review by Federal negotiators, when requested.

3. Interest. Interest on debt associated with certain buildings, equipment and capital improvements, as defined in Sections J.25, shall be classified as an expenditure under the category Facilities. These costs shall be allocated in the same manner as the depreciation or use allowances on the buildings, equipment and capital improvements to which the interest relates.

4. Operation and maintenance expenses.

a. The expenses under this heading are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and all other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. The operation and maintenance expense category should also include its allocable

share of fringe benefit costs, depreciation and use allowances, and interest costs.

b. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be allocated in the same manner as described in subsection 2.b for depreciation and use allowances.

c. For F&A rates negotiated on or after July 1, 1998, an institution that previously employed a utility special cost study in its most recently negotiated F&A rate proposal in accordance with Section E.2.d, may add a utility cost adjustment (UCA) of 1.3 percentage points to its negotiated overall F&A rate for organized research. Exhibit B displays the list of eligible institutions. The allocation of utility costs to the benefiting functions shall otherwise be made in the same manner as described in subsection F.4.b. Beginning on July 1, 2002, Federal agencies shall reassess periodically the eligibility of institutions to receive the UCA.

d. Beginning on July 1, 2002, Federal agencies may receive applications for utilization of the UCA from institutions not subject to the provisions of subsection F.4.c.

#### 5. General administration and general expenses.

a. The expenses under this heading are those that have been incurred for the general executive and administrative offices of educational institutions and other expense of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. The general administration and general expense category should also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation and use allowances, and interest costs. Examples of general administration and general expenses include: those expenses incurred by administrative offices that serve the entire university system of which the institution is a part; central offices of the institution such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and, the operations of the central administrative management information systems. General administration and general expenses shall not include expenses incurred within non-university-wide deans' offices, academic departments, organized research units, or similar organizational units. (See subsection 6, Departmental administration expenses.)

b. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be grouped first according to common major functions of the institution to which they render services or provide benefits. The aggregate expenses of each group shall then be allocated to serviced or benefited functions on the modified total cost basis. Modified total costs consist of the same elements as those in Section G.2. When an activity included in this F&A cost category provides a service or product to another institution or organization, an appropriate adjustment must be made to either the expenses or the basis of allocation or both, to assure a proper allocation of costs.

6. Departmental administration expenses.

a. The expenses under this heading are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units. Organized research units include such units as institutes, study centers, and research centers. Departmental administration expenses are subject to the following limitations.

(1) Academic deans' offices. Salaries and operating expenses are limited to those attributable to administrative functions.

(2) Academic departments:

(a) Salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, shall be allowed at a rate of 3.6 percent of modified total direct costs. This category does not include professional business or professional administrative officers. This allowance shall be added to the computation of the F&A cost rate for major functions in Section G; the expenses covered by the allowance shall be excluded from the departmental administration cost pool. No documentation is required to support this allowance.

(b) Other administrative and supporting expenses incurred within academic departments are allowable provided they are treated consistently in like circumstances. This would include expenses such as the salaries of secretarial and clerical staffs, the salaries of administrative officers and assistants, travel, office supplies, stockrooms, and the like.

(3) Other fringe benefit costs applicable to the salaries and wages included in subsections (1) and (2) are allowable, as well as an appropriate share of general administration and

general expenses, operation and maintenance expenses, and depreciation and/or use allowances.

(4) Federal agencies may authorize reimbursement of additional costs for department heads and faculty only in exceptional cases where an institution can demonstrate undue hardship or detriment to project performance.

b. The following guidelines apply to the determination of departmental administrative costs as direct or F&A costs.

(1) In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or F&A costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

(2) The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Some examples of major projects are described in Exhibit C.

(3) Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

c. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be allocated as follows:

(1) The administrative expenses of the dean's office of each college and school shall be allocated to the academic departments within that college or school on the modified total cost basis.

(2) The administrative expenses of each academic department, and the department's share of the expenses allocated in subsection (1) shall be allocated to the appropriate functions of the department on the modified total cost basis.

7. Sponsored projects administration.

a. The expenses under this heading are limited to those incurred by a separate organization(s) established primarily to administer sponsored projects, including such functions as grant and contract administration (Federal and non-Federal), special security, purchasing, personnel, administration, and editing and publishing of research and other reports. They include the salaries and expenses of the head of such organization, assistants, and immediate staff, together with the salaries and expenses of personnel engaged in supporting activities maintained by the organization, such as stock rooms, stenographic pools and the like. This category also includes an allocable share of fringe benefit costs, general administration and general expenses, operation and maintenance expenses, depreciation/use allowances. Appropriate adjustments will be made for services provided to other functions or organizations.

b. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be allocated to the major functions of the institution under which the sponsored projects are conducted on the basis of the modified total cost of sponsored projects.

c. An appropriate adjustment shall be made to eliminate any duplicate charges to sponsored agreements when this category includes similar or identical activities as those included in the general administration and general expense category or other F&A cost items, such as accounting, procurement, or personnel administration.

8. Library expenses.

a. The expenses under this heading are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits under Section C.5. The library expense category should also include the fringe benefits applicable to the salaries and wages included therein, an appropriate share of general administration and general expense, operation and maintenance expense, and depreciation and use allowances. Costs incurred in the purchases of rare books (museum-type books) with no value to sponsored agreements should not be allocated to them.

b. In the absence of the alternatives provided for in Section E.2.d, the expenses included in this category shall be allocated first on the basis of primary categories of users, including students, professional employees, and other users.

(1) The student category shall consist of full-time equivalent students enrolled at the institution, regardless of whether they earn credits toward a degree or certificate.

(2) The professional employee category shall consist of all faculty members and other professional employees of the institution, on a full-time equivalent basis.

(3) The other users category shall consist of all other users of library facilities.

c. Amount allocated in subsection b shall be assigned further as follows:

(1) The amount in the student category shall be assigned to the instruction function of the institution.

(2) The amount in the professional employee category shall be assigned to the major functions of the institution in proportion to the salaries and wages of all faculty members and other professional employees applicable to those functions.

(3) The amount in the other users category shall be assigned to the other institutional activities function of the institution.

9. Student administration and services.

a. The expenses under this heading are those that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student health and infirmary services, catalogs, and commencements and convocations. The salaries of members of the academic staff whose responsibilities to the institution require administrative work that benefits sponsored projects may also be included to the extent that the portion charged to student administration is determined in accordance with Section J.10. This expense category also includes the fringe benefit costs applicable to the salaries and wages included therein, an appropriate share of general administration and general expenses, operation and maintenance, and use allowances and/or depreciation.

b. In the absence of the alternatives provided for in Section E.2.d, the expenses in this category shall be allocated to the instruction function, and subsequently to sponsored agreements in that function.

10. Offset for F&A expenses otherwise provided for by the Federal Government.

a. The items to be accumulated under this heading are the reimbursements and other payments from the Federal Government that are made to the institution to support solely, specifically, and directly, in whole or in part, any of the

administrative or service activities described in subsections 2 through 9.

b. The items in this group shall be treated as a credit to the affected individual F&A cost category before that category is allocated to benefiting functions.

G. Determination and application of F&A cost rate or rates.

1. F&A cost pools.

a. (1) Subject to subsection b, the separate categories of F&A costs allocated to each major function of the institution as prescribed in Section F shall be aggregated and treated as a common pool for that function. The amount in each pool shall be divided by the distribution base described in subsection 2 to arrive at a single F&A cost rate for each function.

(2) The rate for each function is used to distribute F&A costs to individual sponsored agreements of that function. Since a common pool is established for each major function of the institution, a separate F&A cost rate would be established for each of the major functions described in Section B.1 under which sponsored agreements are carried out.

(3) Each institution's F&A cost rate process must be appropriately designed to ensure that Federal sponsors do not in any way subsidize the F&A costs of other sponsors, specifically activities sponsored by industry and foreign governments. Accordingly, each allocation method used to identify and allocate the F&A cost pools, as described in Sections E.2 and F.2 through F.9, must contain the full amount of the institution's modified total costs or other appropriate units of measurement used to make the computations. In addition, the final rate distribution base (as defined in subsection 2) for each major function (organized research, instruction, etc., as described in Section B.1) shall contain all the programs or activities that utilize the F&A costs allocated to that major function. At the time a F&A cost proposal is submitted to a cognizant Federal agency, each institution must describe the process it uses to ensure that Federal funds are not used to subsidize industry and foreign government funded programs.

b. In some instances a single rate basis for use across the board on all work within a major function at an institution may not be appropriate. A single rate for research, for example, might not take into account those different environmental factors and other conditions which may affect substantially the F&A costs applicable to a particular segment of research at the institution. A particular segment of research may be that performed under a single sponsored agreement or it may consist

of research under a group of sponsored agreements performed in a common environment. The environmental factors are not limited to the physical location of the work. Other important factors are the level of the administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. Where a particular segment of a sponsored agreement is performed within an environment which appears to generate a significantly different level of F&A costs, provisions should be made for a separate F&A cost pool applicable to such work. The separate F&A cost pool should be developed during the regular course of the rate determination process and the separate F&A cost rate resulting therefrom should be utilized; provided it is determined that (1) such F&A cost rate differs significantly from that which would have been obtained under subsection a, and (2) the volume of work to which such rate would apply is material in relation to other sponsored agreements at the institution.

2. The distribution basis. F&A costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function (see Section B.1) on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs. Other items may only be excluded where necessary to avoid a serious inequity in the distribution of F&A costs. For this purpose, a F&A cost rate should be determined for each of the separate F&A cost pools developed pursuant to subsection 1. The rate in each case should be stated as the percentage that the amount of the particular F&A cost pool is of the modified total direct costs identified with such pool.

3. Negotiated lump sum for F&A costs. A negotiated fixed amount in lieu of F&A costs may be appropriate for self-contained, off-campus, or primarily subcontracted activities where the benefits derived from an institution's F&A services cannot be readily determined. Such negotiated F&A costs will be treated as an offset before allocation to instruction, organized research, other sponsored activities, and

other institutional activities. The base on which such remaining expenses are allocated should be appropriately adjusted.

4. Predetermined rates for F&A costs. Public Law 87-638 (76 Stat. 437) authorizes the use of predetermined rates in determining the "indirect costs" (F&A costs in this Circular) applicable under research agreements with educational institutions. The stated objectives of the law are to simplify the administration of cost-type research and development contracts (including grants) with educational institutions, to facilitate the preparation of their budgets, and to permit more expeditious closeout of such contracts when the work is completed. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for F&A costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of F&A costs during the ensuing accounting periods.

5. Negotiated fixed rates and carry-forward provisions. When a fixed rate is negotiated in advance for a fiscal year (or other time period), the over- or under-recovery for that year may be included as an adjustment to the F&A cost for the next rate negotiation. When the rate is negotiated before the carry-forward adjustment is determined, the carry-forward amount may be applied to the next subsequent rate negotiation. When such adjustments are to be made, each fixed rate negotiated in advance for a given period will be computed by applying the expected F&A costs allocable to sponsored agreements for the forecast period plus or minus the carry-forward adjustment (over- or under-recovery) from the prior period, to the forecast distribution base. Unrecovered amounts under lump-sum agreements or cost-sharing provisions of prior years shall not be carried forward for consideration in the new rate negotiation. There must, however, be an advance understanding in each case between the institution and the cognizant Federal agency as to whether these differences will be considered in the rate negotiation rather than making the determination after the differences are known. Further, institutions electing to use this carry-forward provision may not subsequently change without prior approval of the cognizant Federal agency. In the event that an institution returns to a postdetermined rate, any over- or under-recovery during the period in which negotiated fixed rates and carry-forward provisions were followed will be included in the subsequent postdetermined rates. Where multiple

rates are used, the same procedure will be applicable for determining each rate.

6. Provisional and final rates for F&A costs. Where the cognizant agency determines that cost experience and other pertinent facts do not justify the use of predetermined rates, or a fixed rate with a carry-forward, or if the parties cannot agree on an equitable rate, a provisional rate shall be established. To prevent substantial overpayment or underpayment, the provisional rate may be adjusted by the cognizant agency during the institution's fiscal year. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the institution's fiscal year. If a provisional rate is not replaced by a predetermined or fixed rate prior to the end of the institution's fiscal year, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period involved.

7. Fixed rates for the life of the sponsored agreement.

a. Federal agencies shall use the negotiated rates for F&A costs in effect at the time of the initial award throughout the life of the sponsored agreement. "Life" for the purpose of this subsection means each competitive segment of a project. A competitive segment is a period of years approved by the Federal funding agency at the time of the award. If negotiated rate agreements do not extend through the life of the sponsored agreement at the time of the initial award, then the negotiated rate for the last year of the sponsored agreement shall be extended through the end of the life of the sponsored agreement. Award levels for sponsored agreements may not be adjusted in future years as a result of changes in negotiated rates.

b. When an educational institution does not have a negotiated rate with the Federal Government at the time of the award (because the educational institution is a new grantee or the parties cannot reach agreement on a rate), the provisional rate used at the time of the award shall be adjusted once a rate is negotiated and approved by the cognizant agency.

8. Limitation on reimbursement of administrative costs.

a. Notwithstanding the provisions of subsection 1.a, the administrative costs charged to sponsored agreements awarded or amended (including continuation and renewal awards) with effective dates beginning on or after the start of the institution's first fiscal year which begins on or after October 1, 1991, shall be limited to 26% of modified total direct costs (as defined in subsection 2) for the total of General Administration and General Expenses, Departmental

Administration, Sponsored Projects Administration, and Student Administration and Services (including their allocable share of depreciation and/or use allowances, interest costs, operation and maintenance expenses, and fringe benefits costs, as provided by Sections F.5, F.6, F.7 and F.9) and all other types of expenditures not listed specifically under one of the subcategories of facilities in Section F.

b. Existing F&A cost rates that affect institutions' fiscal years which begin on or after October 1, 1991, shall be unilaterally amended by the cognizant Federal agency to reflect the cost limitation in subsection a.

c. Permanent rates established prior to this revision that have been amended in accordance with subsection b may be renegotiated. However, no such renegotiated rate may exceed the rate which would have been in effect if the agreement had remained in effect; nor may the administrative portion of any renegotiated rate exceed the limitation in subsection a.

d. Institutions should not change their accounting or cost allocation methods which were in effect on May 1, 1991, if the effect is to: (i) change the charging of a particular type of cost from F&A to direct, or (ii) reclassify costs, or increase allocations, from the administrative pools identified in subsection to the other F&A cost pools or fringe benefits. Cognizant Federal agencies are authorized to permit changes where an institution's charging practices are at variance with acceptable practices followed by a substantial majority of other institutions.

9. Alternative method for administrative costs.

a. Notwithstanding the provisions of subsection 1.a, an institution may elect to claim fixed allowance for the "Administration" portion of F&A costs. The allowance could be either 24% of modified total direct costs or a percentage equal to 95% of the most recently negotiated fixed or predetermined rate for the cost pools included under "Administration" as defined in Section F.1, whichever is less, provided that no accounting or cost allocation changes with the effects described in subsection 8.d have occurred. Under this alternative, no cost proposal need be prepared for the "Administration" portion of the F&A cost rate nor is further identification or documentation of these costs required (see subsection c). Where a negotiated F&A cost agreement includes this alternative, an institution shall make no further charges for the expenditure categories described in Sections F.5, F.6, F.7 and F.9.

b. In negotiations of rates for subsequent periods, an institution that has elected the option of subsection a may

continue to exercise it at the same rate without further identification or documentation of costs, provided that no accounting or cost allocation changes with the effects described in subsection 8.d have occurred.

c. If an institution elects to accept a threshold rate, it is not required to perform a detailed analysis of its administrative costs. However, in order to compute the facilities components of its F&A cost rate, the institution must reconcile its F&A cost proposal to its financial statements and make appropriate adjustments and reclassifications to identify the costs of each major function as defined in Section B.1, as well as to identify and allocate the facilities components. Administrative costs that are not identified as such by the institution's accounting system (such as those incurred in academic departments) will be classified as instructional costs for purposes of reconciling F&A cost proposals to financial statements and allocating facilities costs.

#### 10. Individual rate components.

In order to satisfy the requirements of Section J.14 and to provide 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 Circular A-21 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 Circular.

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 Appendix C, 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.

#### H. Simplified method for small institutions.

##### 1. General.

a. Where the total direct cost of work covered by Circular A-21 at an institution does not exceed \$10 million in a fiscal year, the use of the simplified procedure described in subsections 2 or 3, 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 2) or modified total direct costs (see subsection 3) 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).

(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.

In those cases where expenditures classified under subsection (1) 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.

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 b.

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 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).

(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.

In those cases where expenditures classified under subsection (1) 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.

c. Establish a modified total direct cost distribution base, as defined in Section G.2, 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.

#### J. General provisions for selected items of cost.

Sections 1 through 54 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 subsection b. of section J.42, 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") 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 1.c, 1.d and 1.e.

(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 USC 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.

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 f). 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.

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will-

(1) be in accordance with Sections A.2 and C;

(2) produce an equitable distribution of charges for employee's activities; and

(3) distinguish the employees' direct activities from their F&A activities.

(c) In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

(d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection b.(2). Examples of acceptable methods are contained in subsection c. Other methods that meet the criteria specified in subsection b.(2) also shall be deemed acceptable, if a mutually satisfactory alternative agreement is reached.

(2) Criteria for Acceptable Methods.

(a) The payroll distribution system will

(i) be incorporated into the official records of the institution;

(ii) reasonably reflect the activity for which the employee is compensated by the institution; and

(iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)

(b) The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations.

(c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable. The activities chargeable to F&A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection b.(1)b)), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.

(d) Practices vary among institutions and within institutions as to the activity constituting a full workload. Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.

(e) Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.

(f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.

(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

c. Examples of Acceptable Methods for Payroll Distribution:

(1) Plan-Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. A plan-confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:

(a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other

activities on an integrated basis. The system may include the use of subsidiary records.

(b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities. (See Section H for treatment of F&A costs under the simplified method for small institutions.)

(c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).

(d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. Whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official and entered into the system.

(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed.

(f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.

(g) In the use of this method, an institution shall not be required to provide additional support or documentation for the effort actually performed.

(2) After-the-fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

(a) Activity reports will reflect the distribution of activity expended by employees covered by the system

(compensation for incidental work as described in subsection a need not be included).

(b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.

(c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).

(e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

(f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections (a) through (e).

(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&A cost activities as prescribed below.

(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&A cost records to reflect the distribution of that activity to F&A costs. These records may be kept jointly or separately (but are to be certified separately, see below).

(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences occur.

(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).

(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable.

(e) To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include:

(1) the signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and,

(2) the record of F&A costs will include the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document.

(f) The reports will be prepared each academic term, but no less frequently than every six months.

(g) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purposes, provided they meet the requirements in subsections (a) through (f).

d. Salary rates for faculty members.

(1) Salary rates for academic year. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies

to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

(2) Periods outside the academic year.

(a) Except as otherwise specified for teaching activity in subsection (b), charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods.

(3) Part-time faculty. Charges for work performed on sponsored agreements by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for the part-time assignments. For example, an institution pays \$5000 to a faculty member for half-time teaching during the academic year. He devoted one-half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one-half of \$5000, or \$2500.

e. Noninstitutional professional activities. Unless an arrangement is specifically authorized by a Federal sponsoring agency, an institution must follow its institution-wide policies and practices concerning the permissible extent of professional services that can be provided outside the institution for noninstitutional compensation. Where such institution-wide policies do not exist or do not adequately define the permissible extent of consulting or other noninstitutional

activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on sponsored agreements be allocated between (1) institutional activities, and (2) noninstitutional professional activities. If the sponsoring agency considers the extent of noninstitutional professional effort excessive, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

f. Fringe benefits.

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, military leave, and the like, are allowable, provided such costs are distributed to all institutional activities in proportion to the relative amount of time or effort actually devoted by the employees. See subsection 11.f.(4) for treatment of sabbatical leave.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established educational institutional policies, and are distributed to all institutional activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable for fiscal years beginning after September 30, 1998. See Section J.45.b, Scholarships and student aid costs, for treatment of tuition remission provided to students.

(3) Rules for pension plan costs are as follows:

(a) Costs of the institution's pension plan which are incurred in accordance with the established policies of the institution are allowable, provided: (i) such policies meet the test of reasonableness, (ii) the methods of cost allocation are equitable for all activities, (iii) the amount of pension cost assigned to each fiscal year is determined in accordance with subsection (b), and (iv) the cost assigned to a given fiscal year is paid or funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(b) The amount of pension cost assigned to each fiscal year shall be determined in accordance with generally accepted accounting principles. Institutions may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Cost" (48 Part 9904-412).

(c) Premiums paid for pension plan termination insurance pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and prohibited transactions of pension plan fiduciaries imposed under ERISA are also unallowable.

(4) Rules for sabbatical leave are as follows:

(a) Costs of leave of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the institution has a uniform policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the institution.

(b) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the institution's actual experience under its sabbatical leave policy.

(5) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of institution-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the institution demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees. Fringe benefits shall be treated in the same manner as the salaries and wages of the employees receiving the benefits. The benefits related to salaries and wages treated as direct costs shall also be treated as direct costs; the benefits related to salaries and wages treated as F&A costs shall be treated as F&A costs.

g. Institution-furnished automobiles.

That portion of the cost of institution-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.

h. Severance pay.

(1) Severance pay is compensation in addition to regular salary and wages which is paid by an institution to employees whose services are being terminated. Costs of severance pay are allowable only to the extent that such payments are required by law, by employer-employee agreement, by established policy that constitutes in effect an implied agreement on the institution's

part, or by circumstances of the particular employment.

(2) Severance payments that are due to normal recurring turnover and which otherwise meet the conditions of subsection (1) may be allowed provided the actual costs of such severance payments are regarded as expenses applicable to the current fiscal year and are equitably distributed among the institution's activities during that period.

(3) Severance payments that are due to abnormal or mass terminations are of such conjectural nature that allowability must be determined on a case-by-case basis. However, the Federal Government recognizes its obligation to participate, to the extent of its fair share, in any specific payment.

(4) Costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed by the institution upon termination of employment are unallowable.

#### 11. Contingency provisions.

Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable, except as noted in the cost principles in this circular regarding self-insurance, pensions, severance and post-retirement health costs.

#### 12. Deans of faculty and graduate schools.

The salaries and expenses of deans of faculty and graduate schools, or their equivalents, and their staffs, are allowable.

#### 13. Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement.

##### a. Definitions.

"Conviction," as used herein, means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

"Costs," include, but are not limited to, administrative and clerical expenses; the cost of legal services, whether performed by in-house or private counsel; the costs of the services of accountants, consultants, or others retained by the institution to assist it; costs of employees, officers and trustees, and any similar costs incurred before, during, and after commencement of a judicial or administrative proceeding that bears a direct relationship to the proceedings.

"Fraud," as used herein, means -

(1) acts of fraud or corruption or attempts to defraud the Federal Government or to corrupt its agents;

(2) acts that constitute a cause for debarment or suspension (as specified in agency regulations), and (3) acts which violate the False Claims Act, 31 U.S.C., sections 3729-3731, or the Anti-kickback Act, 41 U.S.C., sections 51 and 54.

"Penalty," does not include restitution, reimbursement, or compensatory damages.

"Proceeding," includes an investigation.

b. (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, or a State, local or foreign government, are not allowable if the proceeding

(a) relates to a violation of, or failure to comply with, a Federal, State, local or foreign statute or regulation, by the institution (including its agents and employees); and

(b) results in any of the following dispositions:

(i) In a criminal proceeding, a conviction.

(ii) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of institutional liability.

(iii) In the case of any civil or administrative proceeding, the imposition of a monetary penalty.

(iv) A final decision by an appropriate Federal official to debar or suspend the institution, to rescind or void an award, or to terminate an award for default by reason of a violation or failure to comply with a law or regulation.

(v) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in subsections (i) through (iv).

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings shall be unallowable if any one of them results in one of the dispositions shown in subsection b.

c. If a proceeding referred to in subsection b. is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement entered into by the institution and the Federal Government, then the costs incurred by the institution in connection with such proceedings that are otherwise not allowable under subsection b. may be allowed to the extent specifically provided in such agreement.

d. If a proceeding referred to in subsection b. is commenced by a State, local or foreign government, the authorized Federal

official may allow the costs incurred by the institution for such proceedings, if such authorized official determines that the costs were incurred as a result of -

(1) a specific term or condition of a federally-sponsored agreement; or

(2) specific written direction of an authorized official of the sponsoring agency.

e. Costs incurred in connection with proceedings described in subsection b, but which are not made unallowable by that subsection, may be allowed by the Federal Government, but only to the extent that:

(1) The costs are reasonable in relation to the activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the costs incurred, as allowable and allocable costs, is not prohibited by any other provision(s) of the sponsored agreement;

(3) The costs are not otherwise recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) The percentage of costs allowed does not exceed the percentage determined by an authorized Federal official to be appropriate considering the complexity of procurement litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States as a party, and such other factors as may be appropriate. Such percentage shall not exceed 80 percent. However, if an agreement reached under subsection c has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement shall be allowable.

f. Costs incurred by the institution in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (Pub. L. 100-700), including the cost of all relief necessary to make such employee whole, where the institution was found liable or settled, are unallowable.

g. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with defense against Federal Government claims or appeals, or the prosecution of claims or appeals against the Federal Government, are unallowable.

h. Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement

litigation, are unallowable unless otherwise provided for in the sponsored agreements.

i. Costs, which may be unallowable under this section, including directly associated costs, shall be segregated and accounted for by the institution separately. During the pendency of any proceeding covered by subsections b and f, the Federal Government shall generally withhold payment of such costs. However, if in the best interests of the Federal Government, the Federal Government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement by the institution to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

14. Depreciation and use allowances.

a. Institutions may be compensated for the use of their buildings, capital improvements, and equipment, provided that they are used, needed in the institutions' activities, and properly allocable to sponsored agreements. Such compensation shall be made by computing either depreciation or use allowance. Use allowances are the means of providing such compensation when depreciation or other equivalent costs are not computed. The allocation for depreciation or use allowance shall be made in accordance with Section F.2. Depreciation and use allowances are computed applying the following rules:

b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. The acquisition cost of an asset donated to the institution by a third party shall be its fair market value at the time of the donation.

c. For this purpose, the acquisition cost will exclude:

- (1) the cost of land;
- (2) any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located; and
- (3) any portion of the cost of buildings and equipment contributed by or for the institution where law or agreement prohibits recovery.

d. In the use of the depreciation method, the following shall be observed:

- (1) The period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular

area, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method shall be presumed to be the appropriate method.

Depreciation methods once used shall not be changed unless approved in advance by the cognizant Federal agency. The depreciation methods used to calculate the depreciation amounts for F&A rate purposes shall be the same methods used by the institution for its financial statements. This requirement does not apply to those institutions (e.g., public institutions of higher education) which are not required to record depreciation by applicable generally accepted accounting principles (GAAP).

(3) Where the depreciation method is introduced to replace the use allowance method, depreciation shall be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The aggregate amount of use allowances and depreciation attributable to an asset (including imputed depreciation applicable to periods prior to the conversion to the use allowance method as well as depreciation after the conversion) may be less than, and in no case, greater than the total acquisition cost of the asset.

(4) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components shall be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a Federal cognizant agency may authorize a institution to use more than these three groupings. When a institution elects to depreciate its buildings by its components, the same depreciation methods must be used for F&A purposes and financial statement purposes, as described in subsection d.2.

(5) Where the depreciation method is used for a particular class of assets, no depreciation may be allowed on any such assets that have outlived their depreciable lives. (See also subsection e.(3))

e. Under the use allowance method, the following shall be observed:

(1) The use allowance for buildings and improvements (including improvements such as paved parking areas, fences, and sidewalks) shall be computed at an annual rate not exceeding two percent of acquisition cost.

The use allowance for equipment shall be computed at an annual rate not exceeding six and two-thirds percent of acquisition cost. Use allowance recovery is limited to the acquisition cost of the assets. For donated assets, use allowance recovery is limited to the fair market value of the assets at the time of donation.

(2) In contrast to the depreciation method, the entire building must be treated as a single asset without separating its "shell" from other building components under the use allowance method. The entire building must be treated as a single asset, and the two-percent use allowance limitation must be applied to all parts of the building.

The two-percent limitation, however, need not be applied to equipment or other assets that are merely attached or fastened to the building but not permanently fixed and are used as furnishings, decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, and carpeting). Such equipment and assets will be considered as not being permanently fixed to the building if they can be removed without the need for costly or extensive alterations or repairs to the building to make the space usable for other purposes. Equipment and assets that meet these criteria will be subject to the 6 2/3 percent equipment use allowance.

(3) A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the Federal Government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

(4) Notwithstanding subsection e.(3), once a institution converts from one cost recovery methodology to another,

acquisition costs not recovered may not be used in the calculation of the use allowance in subsection e.(3).

f. Except as otherwise provided in subsections b. through e., a combination of the depreciation and use allowance methods may not be used, in like circumstances, for a single class of assets (e.g., buildings, office equipment, and computer equipment).

g. Charges for use allowances or depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, when the depreciation method is used, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

h. This section applies to the largest college and university recipients of Federal research and development funds as displayed in Exhibit A, List of Colleges and Universities Subject to Section J.14.h of Circular A-21.

(1) Institutions shall expend currently, or reserve for expenditure within the next five years, the portion of F&A cost payments made for depreciation or use allowances under sponsored research agreements, consistent with Section F.2, to acquire or improve research facilities. This provision applies only to Federal agreements, which reimburse F&A costs at a full negotiated rate. These funds may only be used for (a) liquidation of the principal of debts incurred to acquire assets that are used directly for organized research activities, or (b) payments to acquire, repair, renovate, or improve buildings or equipment directly used for organized research. For buildings or equipment not exclusively used for organized research activity, only appropriately proportionate amounts will be considered to have been expended for research facilities.

(2) An assurance that an amount equal to the Federal reimbursements has been appropriately expended or reserved to acquire or improve research facilities shall be submitted as part of each F&A cost proposal submitted to the cognizant Federal agency which is based on costs incurred on or after October 1, 1991. This assurance will cover the cumulative amounts of funds received and expended during the period beginning after the period covered by the previous assurance and ending with the fiscal year on which the proposal is based. The assurance shall also cover any amounts reserved from a prior period in which the funds received exceeded the amounts expended.

15. Donations and contributions.

a. Contributions or Donations rendered.

Contributions or donations, including cash, property, and services, made by the institution, regardless of the recipient, are unallowable.

b. Donated services received.

Donated or volunteer services may be furnished to a institution by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or F&A cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with Circular A-110.

c. Donated property.

The value of donated property is not reimbursable either as a direct or F&A cost, except that depreciation or use allowances on donated assets are permitted in accordance with Section J.14. The value of donated property may be used to meet cost sharing or matching requirements, in accordance with Circular A-110.

16. Employee morale, health, and welfare costs and costs.

a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the institution's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

b. Such costs will be equitably apportioned to all activities of the institution. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably set over to employee welfare organizations.

c. Losses resulting from operating food services are allowable only if the institution's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only (a) where the institution can demonstrate unusual circumstances, and (b) with the approval of the cognizant Federal agency.

17. Entertainment costs.

Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals,

lodging, rentals, transportation, and gratuities) are unallowable.

18. Equipment and other capital expenditures.

a. For purposes of this subsection, the following definitions apply:

(1) "Capital Expenditures" means expenditures for the acquisition cost of capital assets (equipment, buildings, and land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the institution's regular accounting practices.

(2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purposes, or \$5000.

(3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or

useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to subsections J.18.b(1) through (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate by and negotiated with the awarding agency.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section J.14, Depreciation and use allowances, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section J.43, Rental costs of buildings and equipment, for rules on the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

#### 19. Fines and penalties.

Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing from the authorized official of the sponsoring agency authorizing in advance such payments.

#### 20. Fund raising and investment costs.

a. Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions, are unallowable.

b. Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

c. Costs related to the physical custody and control of monies and securities are allowable.

#### 21. Gain and losses on depreciable assets.

a. (1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:

(a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under Section J.14.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in Section J.25.

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

b. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection a shall be excluded in computing sponsored agreement costs.

c. When assets acquired with Federal funds, in part or wholly, are disposed of, the distribution of the proceeds shall be made in accordance with Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations."

## 22. Goods or services for personal use.

Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

## 23. Housing and personal living expenses.

a. Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the institution's officers are unallowable regardless of whether the cost is reported as taxable income to the employees.

b. The term "officers" includes current and past officers.

24. Idle facilities and idle capacity.

a. As used in this section the following terms have the meanings set forth below:

(1) "Facilities" means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the institution.

(2) "Idle facilities" means completely unused facilities that are excess to the institution's current needs.

(3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between:

(a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and

(b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet fluctuations in workload; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other sponsored agreements, subletting, renting, or sale, in accordance with

sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

25. Insurance and indemnification.

a. Costs of insurance required or approved, and maintained, pursuant to the sponsored agreement, are allowable.

b. Costs of other insurance maintained by the institution in connection with the general conduct of its activities, are allowable subject to the following limitations:

(1) types and extent and cost of coverage must be in accordance with sound institutional practice;

(2) costs of insurance or of any contributions to any reserve covering the risk of loss of or damage to federally-owned property are unallowable, except to the extent that the Federal Government has specifically required or approved such costs; and

(3) costs of insurance on the lives of officers or trustees are unallowable except where such insurance is part of an employee plan which is not unduly restricted.

c. Contributions to a reserve for a self-insurance program are allowable, to the extent that the types of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

d. Actual losses which could have been covered by permissible insurance (whether through purchased insurance or self-insurance) are unallowable, unless expressly provided for in the sponsored agreement, except that costs incurred because of losses not covered under existing deductible clauses for insurance coverage provided in keeping with sound management practice as well as minor losses not covered by insurance, such as spoilage, breakage and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

e. Indemnification includes securing the institution against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the institution only to the extent expressly provided for in the sponsored agreement, except as provided in subsection d.

f. Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the institution's materials or workmanship are unallowable.

g. Medical liability (malpractice) insurance is an allowable cost of research programs only to the extent that the research

involves human subjects. Medical liability insurance costs shall be treated as a direct cost and shall be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

26. Interest.

a. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the institution's own funds, however represented, are unallowable. However, interest on debt incurred after July 1, 1982 to acquire buildings, major reconstruction and remodeling, or the acquisition or fabrication of capital equipment costing \$10,000 or more, is allowable.

b. Interest on debt incurred after **May 8, 1996** to acquire or replace capital assets (including construction, renovations, alterations, equipment, land, and capital assets acquired through capital leases) acquired after that date and used in support of sponsored agreements is allowable, subject to the following conditions:

(1) For facilities costing over \$500,000, the institution shall prepare, prior to acquisition or replacement of the facility, a lease-purchase analysis in accordance with the provisions of Sec\_\_\_\_.30 through\_\_\_\_.37 of OMB Circular A-110, which shows that a financed purchase, including a capital lease is less costly to the institution than other operating lease alternatives, on a net present value basis. Discount rates used shall be equal to the institution's anticipated interest rates and shall be no higher than the fair market rate available to the institution from an unrelated ("arm's length") third-party. The lease-purchase analysis shall include a comparison of the net present value of the projected total cost comparisons of both alternatives over the period the asset is expected to be used by the institution. The cost comparisons associated with purchasing the facility shall include the estimated purchase price, anticipated operating and maintenance costs (including property taxes, if applicable) not included in the debt financing, less any estimated asset salvage value at the end of the defined period. The cost comparison for a capital lease shall include the estimated total lease payments, any estimated bargain purchase option, operating and maintenance costs, and taxes not included in the capital leasing arrangement, less any estimated credits due under the lease at the end of the defined period. Projected operating lease costs shall be based on the anticipated cost of leasing comparable facilities at fair market rates under rental agreements that would be renewed or

reestablished over the period defined above, and any expected maintenance costs and allowable property taxes to be borne by the institution directly or as part of the lease arrangement.

(2) The actual interest cost claimed is predicated upon interest rates that are no higher than the fair market rate available to the institution from an unrelated (arm's length) third party.

(3) Investment earnings, including interest income on bond or loan principal, pending payment of the construction or acquisition costs, are used to offset allowable interest cost. Arbitrage earnings reportable to the Internal Revenue Service are not required to be offset against allowable interest costs.

(4) Reimbursements are limited to the least costly alternative based on the total cost analysis required under subsection (1). For example, if an operating lease is determined to be less costly than purchasing through debt financing, then reimbursement is limited to the amount determined if leasing had been used. In all cases where a lease-purchase analysis is required to be performed, Federal reimbursement shall be based upon the least expensive alternative.

(5) For debt arrangements over \$1 million, unless the institution makes an initial equity contribution to the asset purchase of 25 percent or more, the institution shall reduce claims for interest expense by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month.

(6) Substantial relocation of federally-sponsored activities from a facility financed by indebtedness, the cost of

which was funded in whole or part through Federal reimbursements, to another facility prior to the expiration of a period of 20 years requires notice to the cognizant agency. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation and interest charged to date may require negotiation and/or downward adjustments of replacement space charged to Federal programs in the future.

(7) The allowable costs to acquire facilities and equipment are limited to a fair market value available to the institution from an unrelated (arm's length) third party.

c. Institutions are also subject to the following conditions:

(1) Interest on debt incurred to finance or refinance assets re-acquired after the applicable effective dates stipulated above is unallowable.

(2) Interest attributable to fully depreciated assets is unallowable.

d. The following definitions are to be used for purposes of this section:

(1) "Re-acquired" assets means assets held by the institution prior to the applicable effective dates stipulated above that have again come to be held by the institution, whether through repurchase or refinancing. It does not include assets acquired to replace older assets.

(2) "Initial equity contribution" means the amount or value of contributions made by non-Federal entities for the acquisition of the asset prior to occupancy of facilities.

(3) "Asset costs" means the capitalizable costs of an asset, including construction costs, acquisition costs, and other such costs capitalized in accordance with Generally Accepted Accounting Principles (GAAP).

#### 27. Labor relations costs.

Costs incurred in maintaining satisfactory relations between the institution and its employees, including costs of labor management committees, employees' publications, and other related activities, are allowable.

#### 28. Lobbying.

Reference is made to the common rule published at 55 FR 6736 (2/26/90), and OMB's governmentwide guidance, amendments to OMB's governmentwide guidance, and OMB's clarification notices published at 54 FR 52306 (12/20/89), 61 FR 1412 (1/19/96), 55 FR

24540 (6/15/90) and 57 FR 1772 (1/15/92), respectively. In addition, the following restrictions shall apply:

a. Notwithstanding other provisions of this Circular, costs associated with the following activities are unallowable:

(1) Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;

(2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;

(3) Any attempt to influence -

(i) the introduction of Federal or State legislation;

(ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature, including efforts to influence State or local officials to engage in similar lobbying activity; or

(iii) any government official or employee in connection with a decision to sign or veto enrolled legislation;

(4) Any attempt to influence -

(i) the introduction of Federal or State legislation; or

(ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or

(5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

b. The following activities are excepted from the coverage of subsection a:

(1) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or

subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;

(2) Any lobbying made unallowable by subsection a.(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the institution's authority to perform the grant, contract, or other agreement; or

(3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

c. When an institution seeks reimbursement for F&A costs, total lobbying costs shall be separately identified in the F&A cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of Section B.1.d.

d. Institutions shall submit as part of their annual F&A cost rate proposal a certification that the requirements and standards of this section have been complied with.

e. Institutions shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to this section complies with the requirements of this Circular.

f. Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this section during any particular calendar month when:

(1) the employee engages in lobbying (as defined in subsections a and b) 25 percent or less of the employee's compensated hours of employment during that calendar month; and

(2) within the preceding five-year period, the institution has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (1) and (2) are met, institutions are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions (1) and (2) are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

g. Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or

disagreements concerning the interpretation or application of this section. Any such advance resolutions shall be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this Circular, provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

h. Executive lobbying costs.

Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally-sponsored agreement or regulatory matter on any basis other than the merits of the matter.

29. Losses on other sponsored agreements or contracts.

Any excess of costs over income under any other sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the institution's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.

30. Maintenance and repair costs.

Costs incurred for necessary maintenance, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures (see section 18.a(1)).

31. Material and supplies costs.

a. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a sponsored agreement are allowable.

b. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory

withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

c. Only materials and supplies actually used for the performance of a sponsored agreement may be charged as direct costs.

d. Where federally-donated or furnished materials are used in performing the sponsored agreement, such materials will be used without charge.

### 32. Meetings and Conferences.

Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see section J.17, Entertainment costs.

### 33. Memberships, subscriptions and professional activity costs.

a. Costs of the institution's membership in business, technical, and professional organizations are allowable.

b. Costs of the institution's subscriptions to business, professional, and technical periodicals are allowable.

c. Costs of membership in any civic or community organization are unallowable.

d. Costs of membership in any country club or social or dining club or organization are unallowable.

### 34. Patent costs.

a. The following costs relating to patent and copyright matters are allowable:

(1) cost of preparing disclosures, reports, and other documents required by the sponsored agreement and of searching the art to the extent necessary to make such disclosures;

(2) cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and

(3) general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see sections J.37, Professional service costs, and J.44, Royalties and other costs for use of patents).

b. The following costs related to patent and copyright matter are unallowable:

(i) Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award

(ii) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the sponsored agreement award does not require conveying title or a royalty-free license to the Federal Government, (but see section J.44, Royalties and other costs for use of patents).

35. Plant and homeland security costs.

Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to section J.18, Equipment and other capital expenditures, of this Circular.

36. Preagreement costs. Costs incurred prior to the effective date of the sponsored agreement, whether or not they would have been allowable thereunder if incurred after such date, are unallowable unless approved by the sponsoring agency.

37. Professional service costs.

a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the institution, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. In addition, legal and related services are limited under section J.13.

b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the institution's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to sponsored agreements.

(4) The impact on the institution's business (i.e., what new problems have arisen).

(5) Whether the proportion of Federal work to the institution's total business is such as to influence the institution in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-sponsored agreements.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

c. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by evidence of bona fide services available or rendered.

### 38. Proposal costs.

Proposal costs are the costs of preparing bids or proposals on potential federally and non-federally-funded sponsored agreements or projects, including the development of data necessary to support the institution's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as F&A costs and allocated currently to all activities of the institution, and no proposal costs of past accounting periods will be allocable to the current period. However, the institution's established practices may be to treat proposal costs by some other recognized method. Regardless of the method used, the results obtained may be accepted only if found to be reasonable and equitable.

### 39. Publication and printing costs.

a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.

b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the institution.

c. Page charges for professional journal publications are allowable as a necessary part of research costs where:

(1) The research papers report work supported by the Federal Government: and

(2) The charges are levied impartially on all research papers published by the journal, whether or not by federally-sponsored authors.

#### 40. Rearrangement and alteration costs.

Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the sponsoring agency.

#### 41. Reconversion costs.

Costs incurred in the restoration or rehabilitation of the institution's facilities to approximately the same condition existing immediately prior to commencement of a sponsored agreement, fair wear and tear excepted, are allowable.

#### 42. Recruiting costs.

a. Subject to subsections b, c, and d, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to a well-managed recruitment program. Where the institution uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

b. In publications, costs of help wanted advertising that includes color, includes advertising material for other than recruitment purposes, or is excessive in size (taking into consideration recruitment purposes for which intended and normal institutional practices in this respect), are unallowable.

c. Costs of help wanted advertising, special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel from other institutions that do not meet

the test of reasonableness or do not conform with the established practices of the institution, are unallowable.

d. Where relocation costs incurred incident to recruitment of a new employee have been allowed either as an allocable direct or F&A cost, and the newly hired employee resigns for reasons within his control within 12 months after hire, the institution will be required to refund or credit such relocation costs to the Federal Government.

43. Rental costs of buildings and equipment.

a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

b. Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the institution continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.

c. Rental costs under "less-than-arms-length" leases are allowable only up to the amount (as explained in subsection b) that would be allowed had title to the property vested in the institution. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between --

(1) divisions of a institution;

(2) non-Federal entities under common control through common officers, directors, or members; and

(3) a institution and a director, trustee, officer, or key employee of the institution or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a institution may establish a separate corporation for the sole purpose of owning property and leasing it back to the institution.

d. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subsection b) that would be allowed had the institution purchased the property on the date the lease agreement was executed. The provisions of Financial Accounting

Standards Board Statement 13, *Accounting for Leases*, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in section J.26. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the institution purchased the facility.

44. Royalties and other costs for use of patents.

a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:

(1) The Federal Government has a license or the right to free use of the patent or copyright.

(2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(3) The patent or copyright is considered to be unenforceable.

(4) The patent or copyright is expired.

b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, e.g.:

(1) Royalties paid to persons, including corporations, affiliated with the institution.

(2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a sponsored agreement award would be made.

(3) Royalties paid under an agreement entered into after an award is made to a institution.

c. In any case involving a patent or copyright formerly owned by the institution, the amount of royalty allowed should not exceed the cost which would have been allowed had the institution retained title thereto.

45. Scholarships and student aid costs.

a. Costs of scholarships, fellowships, and other programs of student aid are allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsoring agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that --

(1) The individual is conducting activities necessary to the sponsored agreement;

(2) Tuition remission and other support are provided in accordance with established educational institutional policy and consistently provided in a like manner to students in return for similar activities conducted in nonsponsored as well as sponsored activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at the institution or affiliated institution and the activities of the student in relation to the Federally-sponsored research project are related to the degree program;

(4) the tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) it is the institution's practice to similarly compensate students in nonsponsored as well as sponsored activities.

b. Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages shall be subject to the reporting requirements stipulated in Section J.10, and shall be treated as direct or F&A cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis.

#### 46. Selling and marketing.

Costs of selling and marketing any products or services of the institution are unallowable (unless allowed under subsection J.1 as allowable public relations costs or under subsection J.38 as allowable proposal costs).

#### 47. Specialized service facilities.

a. The costs of services provided by highly complex or specialized facilities operated by the institution, such as computers, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either subsection 47.b. or 47.c. and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under subsection C.5. of this Circular.

b. The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that

(1) does not discriminate against federally-supported activities of the institution, including usage by the institution for internal purposes, and

(2) is designed to recover only the aggregate costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all F&A costs. Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).

c. Where the costs incurred for a service are not material, they may be allocated as F&A costs.

d. Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant Federal agency.

#### 48. Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreements.

#### 49. Taxes.

a. In general, taxes which the institution is required to pay and which are paid or accrued in accordance with generally accepted accounting principles are allowable. Payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for--

(1) taxes from which exemptions are available to the institution directly or which are available to the institution based on an exemption afforded the Federal Government, and in the latter case when the sponsoring agency makes available the necessary exemption certificates; and

(2) special assessments on land which represent capital improvements.

b. Any refund of taxes, interest, or penalties, and any payment to the institution of interest thereon, attributable to taxes, interest, or penalties which were allowed as sponsored agreement costs, will be credited or paid to the Federal Government in the manner directed by the Federal Government. However, any interest actually paid or credited to an institution incident to a refund of tax, interest, and penalty will be paid or credited to the Federal Government only to the extent that such interest accrued over the period during which the institution has been reimbursed by the Federal Government for the taxes, interest, and penalties.

50. Termination costs applicable to sponsored agreements.

Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the sponsored agreement not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Circular in termination situations.

a. The cost of items reasonably usable on the institution's other work shall not be allowable unless the institution submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the institution, the awarding agency should consider the institution's plans and orders for current and scheduled activity.

Contemporaneous purchases of common items by the institution shall be regarded as evidence that such items are reasonably usable on the institution's other work. Any acceptance of common items as allocable to the terminated portion of the sponsored agreement shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

b. If in a particular case, despite all reasonable efforts by the institution, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Circular, except that any such costs continuing after termination due to the negligent or willful failure of the institution to discontinue such costs shall be unallowable.

c. Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the institution,

(2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency, and

(3) The loss of useful value for any one terminated sponsored agreement is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the sponsored agreement bears to the entire terminated sponsored agreement award and other sponsored agreements for which the special tooling, machinery, or equipment was acquired.

d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated sponsored agreement less the residual value of such leases, if:

(1) the amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the sponsored agreement and such further period as may be reasonable, and

(2) the institution makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the sponsored agreement, and of reasonable restoration required by the provisions of the lease.

e. Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the sponsored agreement, unless the termination is for default (see Subpart. \_\_.61 of Circular A-110); and

(b) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the sponsored agreement, except when institutions are reimbursed for disposals at a predetermined amount in accordance with Subparts \_\_.32 through \_\_.37 of Circular A-110.

(3) F&A costs related to salaries and wages incurred as settlement expenses in subsections b.(1) and (2). Normally, such F&A costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.

f. Claims under subawards, including the allocable portion of claims which are common to the sponsored agreement and to other work of the institution, are generally allowable.

An appropriate share of the institution's F&A costs may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in section E, F&A costs. The F&A costs so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

51. Training costs.

The cost of training provided for employee development is allowable.

52. Transportation costs.

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate F&A cost accounts if the institution follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms of the sponsored agreement, should be treated as a direct cost.

53. Travel costs.

a. General.

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

b. Lodging and subsistence.

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205-46(a)).

c. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:

- (a) require circuitous routing;
- (b) require travel during unreasonable hours; (c) excessively prolong travel;
- (d) result in additional costs that would offset the transportation savings; or
- (e) offer accommodations not reasonably adequate for the traveler's medical needs. The institution must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a institution's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the institution can demonstrate either of the following:

- (a) that such airfare was not available in the specific case; or
- (b) that it is the institution's overall practice to make routine use of such airfare.

d. Air travel by other than commercial carrier.

Costs of travel by institution-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection 53.c., is unallowable.

#### 54. Trustees.

Travel and subsistence costs of trustees (or directors) are allowable. The costs are subject to restrictions regarding lodging, subsistence and air travel costs provided in Section 53.

#### K. Certification of charges.

1. To assure that expenditures for sponsored agreements are proper and in accordance with the agreement documents and approved project budgets, the annual and/or final fiscal reports or vouchers requesting payment under the agreements will include a certification, signed by an authorized official of the university, which reads essentially as follows: "I certify that

all expenditures reported (or payment requested) are for appropriate purposes and in accordance with the provisions of the application and award documents."

2. Certification of F&A costs.

a. Policy.

(1) No proposal to establish F&A cost rates shall be acceptable unless such costs have been certified by the educational institution using the Certificate of F&A Costs set forth in subsection b. The certificate must be signed on behalf of the institution by an individual at a level no lower than vice president or chief financial officer of the institution that submits the proposal.

(2) No F&A cost rate shall be binding upon the Federal Government if the most recent required proposal from the institution has not been certified. Where it is necessary to establish F&A cost rates, and the institution has not submitted a certified proposal for establishing such rates in accordance with the requirements of this section, the Federal Government shall unilaterally establish such rates. Such rates may be based upon audited historical data or such other data that have been furnished to the cognizant Federal agency and for which it can be demonstrated that all unallowable costs have been excluded. When F&A cost rates are unilaterally established by the Federal Government because of failure of the institution to submit a certified proposal for establishing such rates in accordance with this section, the rates established will be set at a level low enough to ensure that potentially unallowable costs will not be reimbursed.

b. Certificate. The certificate required by this section shall be in the following form:

Certificate of F&A Costs

This is to certify that to the best of my knowledge and belief:

(1) I have reviewed the F&A cost proposal submitted herewith;

(2) All costs included in this proposal [identify date] to establish billing or final F&A costs rate for [identify period

covered by rate] are allowable in accordance with the requirements of the Federal agreement(s) to which they apply and with the cost principles applicable to those agreements.

(3) This proposal does not include any costs which are unallowable under applicable cost principles such as (without limitation): advertising and public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and

(4) All costs included in this proposal are properly allocable to Federal agreements on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements.

For educational institutions that are required to file a DS-2 in accordance with Section C.14, the following statement shall be added to the "Certificate of F&A Costs":

(5) The rate proposal is prepared using the same cost accounting practices that are disclosed in the DS-2, including its amendments and revisions, filed with and approved by the cognizant agency.

I declare under penalty of perjury that the foregoing is true and correct.

Institution: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

Exhibit A -- List of Colleges and Universities Subject to  
Section J.12.h of Circular A-21.

1. Johns Hopkins University
2. Stanford University
3. Massachusetts Institute of Technology
4. University of Washington
5. University of California-Los Angeles
6. University of Michigan
7. University of California-San Diego
8. University of California-San Francisco
9. University of Wisconsin-Madison
10. Columbia University
11. Yale University
12. Harvard University
13. Cornell University
14. University of Pennsylvania
15. University of California-Berkeley
16. University of Minnesota
17. Pennsylvania State University
18. University of Southern California
19. Duke University
20. Washington University
21. University of Colorado
22. University of Illinois-Urbana
23. University of Rochester
24. University of North Carolina-Chapel Hill
25. University of Pittsburgh
26. University of Chicago
27. University of Texas-Austin
28. University of Arizona
29. New York University
30. University of Iowa
31. Ohio State University
32. University of Alabama-Birmingham
33. Case Western Reserve
34. Baylor College of Medicine
35. California Institute of Technology
36. Yeshiva University
37. University of Massachusetts
38. Vanderbilt University
39. Purdue University
40. University of Utah
41. Georgia Institute of Technology
42. University of Maryland-College Park

43. University of Miami
44. University of California-Davis
45. Boston University
46. University of Florida
47. Carnegie-Mellon University
48. Northwestern University
49. Indiana University
50. Michigan State University
51. University of Virginia
52. University of Texas-SW Medical Center
53. University of California-Irvine
54. Princeton University
55. Tulane University of Louisiana
56. Emory University
57. University of Georgia
58. Texas A&M University-all campuses
59. New Mexico State University
60. North Carolina State University-Raleigh
61. University of Illinois-Chicago
62. Utah State University
63. Virginia Commonwealth University
64. Oregon State University
65. SUNY-Stony Brook
66. University of Cincinnati
67. CUNY-Mount Sinai School of Medicine
68. University of Connecticut
69. Louisiana State University
70. Tufts University
71. University of California-Santa Barbara
72. University of Hawaii-Manoa
73. Rutgers State University of New Jersey
74. Colorado State University
75. Rockefeller University
76. University of Maryland-Baltimore
77. Virginia Polytechnic Institute & State University
78. SUNY-Buffalo
79. Brown University
80. University of Medicine & Dentistry of New Jersey
81. University of Texas-Health Science Center San Antonio
82. University of Vermont
83. University of Texas-Health Science Center Houston
84. Florida State University
85. University of Texas-MD Anderson Cancer Center
86. University of Kentucky
87. Wake Forest University

88. Wayne State University
89. Iowa State University of Science & Technology
90. University of New Mexico
91. Georgetown University
92. Dartmouth College
93. University of Kansas
94. Oregon Health Sciences University
95. University of Texas-Medical Branch-Galveston
96. University of Missouri-Columbia
97. Temple University
98. George Washington University
99. University of Dayton

Exhibit B -- Listing of institutions that are eligible for the utility cost adjustment.

1. Baylor University
2. Boston College
3. Boston University
4. California Institute of Technology
5. Carnegie-Mellon University
6. Case Western University
7. Columbia University
8. Cornell University (Endowed)
9. Cornell University (Statutory)
10. Cornell University (Medical)
11. Dayton University
12. Emory University
13. George Washington University (Medical)
14. Georgetown University
15. Harvard Medical School
16. Harvard University (Main Campus)
17. Harvard University (School of Public Health)
18. Johns Hopkins University
19. Massachusetts Institute of Technology
20. Medical University of South Carolina
21. Mount Sinai School of Medicine
22. New York University (except New York University Medical Center)
23. New York University Medical Center
24. North Carolina State University
25. Northeastern University
26. Northwestern University
27. Oregon Health Sciences University
28. Oregon State University
29. Rice University
30. Rockefeller University
31. Stanford University
32. Tufts University
33. Tulane University
34. Vanderbilt University
35. Virginia Commonwealth University
36. Virginia Polytechnic Institute and State University
37. University of Arizona
38. University of CA, Berkeley
39. University of CA, Irvine
40. University of CA, Los Angeles
41. University of CA, San Diego

42. University of CA, San Francisco
43. University of Chicago
44. University of Cincinnati
45. University of Colorado, Health Sciences Center
46. University of Connecticut, Health Sciences Center
47. University of Health Science and The Chicago Medical School
48. University of Illinois, Urbana
49. University of Massachusetts, Medical Center
50. University of Medicine & Dentistry of New Jersey
51. University of Michigan
52. University of Pennsylvania
53. University of Pittsburgh
54. University of Rochester
55. University of Southern California
56. University of Tennessee, Knoxville
57. University of Texas, Galveston
58. University of Texas, Austin
60. University of Texas Southwestern Medical Center
61. University of Virginia
62. University of Vermont & State Agriculture College
63. University of Washington
64. Washington University
65. Yale University
66. Yeshiva University

Exhibit C -- Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate.

- \* Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.

- \* Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).

- \* Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

- \* Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

- \* Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research fields sites that are remote from campus.

- \* Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

These examples are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples. For instance, the examples would be appropriate when the costs of such activities are incurred in unlike circumstances, i.e., the actual activities charged direct are not the same as the actual activities normally included in the institution's facilities and administrative (F&A) cost pools or, if the same, the indirect activity costs are immaterial in amount. It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of

activity for other sponsored agreements were included as allocable costs in the institution's F&A cost pools. Application of negotiated predetermined F&A cost rates may also be inappropriate if such activity costs charged directly were not provided for in the allocation base that was used to determine the predetermined F&A cost rates.

Appendix A Part 99005 -- Cost Accounting Standards for Educational Institutions.

CAS 9905.501 -- Consistency in estimating, accumulating and reporting costs by educational institutions.

Purpose

The purpose of this standard is to ensure that each educational institution's practices used in estimating costs for a proposal are consistent with cost accounting practices used by the educational institution in accumulating and reporting costs. Consistency in the application of cost accounting practices is necessary to enhance the likelihood that comparable transactions are treated alike. With respect to individual sponsored agreements, the consistent application of cost accounting practices will facilitate the preparation of reliable cost estimates used in pricing a proposal and their comparison with the costs of performance of the resulting sponsored agreement. Such comparisons provide one important basis for financial control over costs during sponsored agreement performance and aid in establishing accountability for costs in the manner agreed to by both parties at the time of agreement. The comparisons also provide an improved basis for evaluating estimating capabilities.

Definitions

(a) The following are definitions of terms which are prominent in this standard.

(1) Accumulating costs means the collecting of cost data in an organized manner, such as through a system of accounts.

(2) Actual cost means an amount determined on the basis of cost incurred (as distinguished from forecasted cost), including standard cost properly adjusted for applicable variance.

(3) Estimating costs means the process of forecasting a future result in terms of cost, based upon information available at the time.

(4) Indirect cost pool means a grouping of incurred costs identified with two or more objectives but not identified specifically with any final cost objective.

(5) Pricing means the process of establishing the amount or amounts to be paid in return for goods or services.

(6) Proposal means any offer or other submission used as a basis for pricing a sponsored agreement, sponsored agreement modification or termination settlement or for securing payments thereunder.

(7) Reporting costs means the providing of cost information to others.

#### Fundamental Requirement

An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the educational institution's cost accounting practices used in accumulating and reporting costs.

An educational institution's cost accounting practices used in accumulating and reporting actual costs for a sponsored agreement shall be consistent with the educational institution's practices used in estimating costs in the related proposal or application.

The grouping of homogeneous costs in estimates prepared for proposal purposes shall not per se be deemed an inconsistent application of cost accounting practices of this paragraph when such costs are accumulated in reported in greater detail on an actual costs basis during performance of the sponsored agreement.

#### Techniques for application

(a) The standard allows grouping of homogeneous costs in order to cover those cases where it is not practicable to estimate sponsored agreement costs by individual cost element. However, costs estimated for proposal purposes shall be presented in such a manner and in such detail that any significant cost can be compared with the actual cost accumulated and reported therefor. In any event, the cost accounting practices used in estimating costs in pricing a proposal and in accumulating and reporting costs on the resulting sponsored agreement shall be consistent with respect to:

(1) The classification of elements of cost as direct or indirect; (2) the indirect cost pools to which each element of cost is charged or proposed to be charged; and (3) the methods of allocating indirect costs to the sponsored agreement.

(b) Adherence to the requirement of this standard shall be determined as of the date of award of the sponsored agreement, unless the sponsored agreement has submitted cost or pricing data pursuant to 10 U.S.C. 2306(a) or 41 U.S.C. 254(d) (Pub. L. 87-653), in which case adherence to the requirement of this standard shall be determined as of the date of final agreement on price, as shown on the signed certificate of current cost or pricing data. Notwithstanding 9905.501-40(b), changes in established cost accounting practices during sponsored agreement performance may be made in accordance with Part 9903 (48 CFR 9903).

(c) The standard does not prescribe the amount of detail required in accumulating and reporting costs. The basic requirement which must be met, however, is that for any significant amount of estimated cost, the sponsored agreement must be able to accumulate and report actual cost at a level which permits sufficient and meaningful comparison with its estimates. The amount of detail required may vary considerably depending on how the proposed costs were estimated, the data presented in justification or lack thereof, and the significance of each situation. Accordingly, it is neither appropriate nor practical to prescribe a single set of accounting practices which would be consistent in all situations with the practices of estimating costs. Therefore, the amount of accounting and statistical detail to be required and maintained in accounting for estimated costs has been and continues to be a matter to be decided by Government procurement authorities on the basis of the individual facts and circumstances.

CAS 9905.502 -- Consistency in allocating costs incurred for the same purpose by educational institutions.

#### Purpose

The purpose of this standard is to require that each type of cost is allocated only once and on only one basis to any sponsored agreement or other cost objective. The criteria for determining the allocation of costs to a sponsored agreement or

other cost objective should be the same for all similar objectives. Adherence to these cost accounting concepts is necessary to guard against the overcharging of some cost objectives and to prevent double counting. Double counting occurs most commonly when cost items are allocated directly to a cost objective without eliminating like cost items from indirect cost pools which are allocated to that cost objective.

#### Definitions

(a) The following are definitions of terms which are prominent in this standard.

(1) Allocate means to assign an item of cost, or a group of items of cost, to one or more cost objectives. This term includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.

(2) Cost objective means a function, organizational subdivision, sponsored agreement, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

(3) Direct cost means any cost which is identified specifically with a particular final cost objective. Direct costs are not limited to items which are incorporated in the end product as material or labor. Costs identified specifically with a sponsored agreement are direct costs of that sponsored agreement. All costs identified specifically with other final cost objectives of the educational institution are direct costs of those cost objectives.

(4) Final cost objective means a cost objective which has allocated to it both direct and indirect costs, and in the educational institution's accumulation system, is one of the final accumulation points.

(5) Indirect cost means any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or with at least one intermediate cost objective.

(6) Indirect cost pool means a grouping of incurred costs identified with two or more cost objectives but not identified with any final cost objective.

(7) Intermediate cost objective means a cost objective that is used to accumulate indirect costs or service center costs that are subsequently allocated to one or more indirect cost pools and/or final cost objectives.

#### Fundamental Requirement

All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives. No final cost objective shall have allocated to it as an indirect cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included as a direct cost of that or any other final cost objective. Further, no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective.

#### Techniques for application

(a) The Fundamental Requirement is stated in terms of cost incurred and is equally applicable to estimates of costs to be incurred as used in sponsored agreement proposals.

(b) The Disclosure Statement to be submitted by the educational institution will require that the educational institution set forth its cost accounting practices with regard to the distinction between direct and indirect costs. In addition, for those types of cost which are sometimes accounted for as direct and sometimes accounted for as indirect, the educational institution will set forth in its Disclosure Statement the specific criteria and circumstances for making such distinctions. In essence, the Disclosure Statement submitted by the educational institution, by distinguishing between direct and indirect costs, and by describing the criteria and circumstances for allocating those items which are sometimes direct and sometimes indirect, will be determinative as to whether or not costs are incurred for the same purpose. Disclosure Statement as used herein refers to the statement

required to be submitted by educational institutions in Section C.14.

(c) In the event that an educational institution has not submitted a Disclosure Statement, the determination of whether specific costs are directly allocable to sponsored agreements shall be based upon the educational institution's cost accounting practices used at the time of sponsored agreement proposal.

(d) Whenever costs which serve the same purpose cannot equitably be indirectly allocated to one or more final cost objectives in accordance with the educational institution's disclosed accounting practices, the educational institution may either (1) use a method for reassigning all such costs which would provide an equitable distribution to all final cost objectives, or (2) directly assign all such costs to final cost objectives with which they are specifically identified. In the event the educational institution decides to make a change for either purpose, the Disclosure Statement shall be amended to reflect the revised accounting practices involved.

(e) Any direct cost of minor dollar amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives, provided that such treatment produces results which are substantially the same as the results which would have been obtained if such cost had been treated as a direct cost.

#### Illustrations

(a) Illustrations of costs which are incurred for the same purpose:

(1) An educational institution normally allocates all travel as an indirect cost and previously disclosed this accounting practice to the Government. For purposes of a new proposal, the educational institution intends to allocate the travel costs of personnel whose time is accounted for as direct labor directly to the sponsored agreement. Since travel costs of personnel whose time is accounted for as direct labor working on other sponsored agreements are costs which are incurred for the same purpose, these costs may no longer be included within indirect cost pools for purposes of allocation to any covered Government sponsored agreement. The educational institution's

Disclosure Statement must be amended for the proposed changes in accounting practices.

(2) An educational institution normally allocates purchasing activity costs indirectly and allocates this cost to instruction and research on the basis of modified total costs. A proposal for a new sponsored agreement requires a disproportionate amount of subcontract administration to be performed by the purchasing activity. The educational institution prefers to continue to allocate purchasing activity costs indirectly. In order to equitably allocate the total purchasing activity costs, the educational institution may use a method for allocating all such costs which would provide an equitable distribution to all applicable indirect cost pools. For example, the educational institution may use the number of transactions processed rather than its former allocation base of modified total costs. The educational institution's Disclosure Statement must be amended for the proposed changes in accounting practices.

(b) Illustrations of costs which are not incurred for the same purpose:

(1) An educational institution normally allocates special test equipment costs directly to sponsored agreements. The costs of general purpose test equipment are normally included in the indirect cost pool which is allocated to sponsored agreements. Both of these accounting practices were previously disclosed to the Government. Since both types of costs involved were not incurred for the same purpose in accordance with the criteria set forth in the educational institution's Disclosure Statement, the allocation of general purpose test equipment costs from the indirect cost pool to the sponsored agreement, in addition to the directly allocated special test equipment costs, is not considered a violation of the standard.

(2) An educational institution proposes to perform a sponsored agreement which will require three firemen on 24-hour duty at a fixed-post to provide protection against damage to highly inflammable materials used on the sponsored agreement. The educational institution presently has a firefighting force of 10 employees for general protection of its facilities. The educational institution's costs for these latter firemen are treated as indirect costs and allocated to all sponsored agreements; however, it wants to allocate the three fixed-post

firemen directly to the particular sponsored agreement requiring them and also allocate a portion of the cost of the general firefighting force to the same sponsored agreement. The educational institution may do so but only on condition that its disclosed practices indicate that the costs of the separate classes of firemen serve different purposes and that it is the educational institution's practice to allocate the general firefighting force indirectly and to allocate fixed-post firemen directly.

#### Interpretation

(a) Consistency in Allocating Costs Incurred for the Same Purpose by Educational Institutions, provides, in this standard, that " \* \* \* no final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective."

(b) This interpretation deals with the way this standard applies to the treatment of costs incurred in preparing, submitting, and supporting proposals. In essence, it is addressed to whether or not, under the standard, all such costs are incurred for the same purpose, in like circumstances.

(c) Under this standard, costs incurred in preparing, submitting, and supporting proposals pursuant to a specific requirement of an existing sponsored agreement are considered to have been incurred in different circumstances from the circumstances under which costs are incurred in preparing proposals which do not result from such specific requirement. The circumstances are different because the costs of preparing proposals specifically required by the provisions of an existing sponsored agreement relate only to that sponsored agreement while other proposal costs relate to all work of the educational institution.

(d) This interpretation does not preclude the allocation, as indirect costs, of costs incurred in preparing all proposals. The cost accounting practices used by the educational institution, however, must be followed consistently and the method used to reallocate such costs, of course, must provide an equitable distribution to all final cost objectives.

CAS 9905.505 -- Accounting for unallowable costs --  
Educational institutions.

#### Purpose

(a) The purpose of this standard is to facilitate the negotiation, audit, administration and settlement of sponsored agreements by establishing guidelines covering (1) identification of costs specifically described as unallowable, at the time such costs first become defined or authoritatively designated as unallowable, and (2) the cost accounting treatment to be accorded such identified unallowable costs in order to promote the consistent application of sound cost accounting principles covering all incurred costs. The standard is predicated on the proposition that costs incurred in carrying on the activities of an educational institution -- regardless of the allowability of such costs under Government sponsored agreements -- are allocable to the cost objectives with which they are identified on the basis of their beneficial or causal relationships.

(b) This standard does not govern the allowability of costs. This is a function of the appropriate procurement or reviewing authority.

#### Definitions

(a) The following are definitions of terms which are prominent in this standard.

(1) Directly associated cost means any cost which is generated solely as a result of the incurrence of another cost, and which would not have been incurred had the other cost not been incurred.

(2) Expressly unallowable cost means a particular item or type of cost which, under the express provisions of an applicable law, regulation, or sponsored agreement, is specifically named and stated to be unallowable.

(3) Indirect cost means any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or with at least one intermediate cost objective.

(4) Unallowable cost means any cost which, under the provisions of any pertinent law, regulation, or sponsored agreement, cannot be included in prices, cost reimbursements, or settlements under a Government sponsored agreement to which it is allocable.

#### Fundamental requirement

(a) Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified and excluded from any billing, claim, application, or proposal applicable to a Government sponsored agreement.

(b) Costs which specifically become designated as unallowable as a result of a written decision furnished by a Federal official pursuant to sponsored agreement disputes procedures shall be identified if included in or used in the computation of any billing, claim, or proposal applicable to a sponsored agreement. This identification requirement applies also to any costs incurred for the same purpose under like circumstances as the costs specifically identified as unallowable under either this paragraph or paragraph (a) of this subsection.

(c) Costs which, in a Federal official's written decision furnished pursuant to disputes procedures, are designated as unallowable directly associated costs of unallowable costs covered by either paragraph (a) or (b) of this subsection shall be accorded the identification required by paragraph b. of this subsection.

(d) The costs of any work project not contractually authorized, whether or not related to performance of a proposed or existing contract, shall be accounted for, to the extent appropriate, in a manner which permits ready separation from the costs of authorized work projects.

(e) All unallowable costs covered by paragraphs (a) through (d) of this subsection shall be subject to the same cost accounting principles governing cost allocability as allowable costs. In circumstances where these unallowable costs normally would be part of a regular indirect-cost allocation base or bases, they shall remain in such base or bases. Where a directly associated cost is part of a category of costs normally included

in an indirect-cost pool that will be allocated over a base containing the unallowable cost with which it is associated, such a directly associated cost shall be retained in the indirect-cost pool and be allocated through the regular allocation process.

(f) Where the total of the allocable and otherwise allowable costs exceeds a limitation-of-cost or ceiling-price provision in a sponsored agreement, full direct and indirect cost allocation shall be made to the cost objective, in accordance with established cost accounting practices and Standards which regularly govern a given entity's allocations to Government sponsored agreement cost objectives. In any determination of unallowable cost overrun, the amount thereof shall be identified in terms of the excess of allowable costs over the ceiling amount, rather than through specific identification of particular cost items or cost elements.

#### Techniques for application

(a) The detail and depth of records required as backup support for proposals, billings, or claims shall be that which is adequate to establish and maintain visibility of identified unallowable costs (including directly associated costs), their accounting status in terms of their allocability to sponsored agreement cost objectives, and the cost accounting treatment which has been accorded such costs. Adherence to this cost accounting principle does not require that allocation of unallowable costs to final cost objectives be made in the detailed cost accounting records. It does require that unallowable costs be given appropriate consideration in any cost accounting determinations governing the content of allocation bases used for distributing indirect costs to cost objectives. Unallowable costs involved in the determination of rates used for standard costs, or for indirect-cost bidding or billing, need be identified only at the time rates are proposed, established, revised or adjusted.

(b) The visibility requirement of paragraph (a) of this subsection, may be satisfied by any form of cost identification which is adequate for purposes of sponsored agreement cost determination and verification. The standard does not require such cost identification for purposes which are not relevant to the determination of Government sponsored agreement cost. Thus, to provide visibility for incurred costs, acceptable alternative

practices would include (1) the segregation of unallowable costs in separate accounts maintained for this purpose in the regular books of account, (2) the development and maintenance of separate accounting records or workpapers, or (3) the use of any less formal cost accounting techniques which establishes and maintains adequate cost identification to permit audit verification of the accounting recognition given unallowable costs. Educational institutions may satisfy the visibility requirements for estimated costs either (1) by designation and description (in backup data, workpapers, etc.) of the amounts and types of any unallowable costs which have specifically been identified and recognized in making the estimates, or (2) by description of any other estimating technique employed to provide appropriate recognition of any unallowable costs pertinent to the estimates.

(c) Specific identification of unallowable costs is not required in circumstances where, based upon considerations of materiality, the Government and the educational institution reach agreement on an alternate method that satisfies the purpose of the standard.

#### Illustrations

(a) An auditor recommends disallowance of certain direct labor and direct material costs, for which a billing has been submitted under a sponsored agreement, on the basis that these particular costs were not required for performance and were not authorized by the sponsored agreement. The Federal officer issues a written decision which supports the auditor's position that the questioned costs are unallowable. Following receipt of the Federal officer's decision, the educational institution must clearly identify the disallowed direct labor and direct material costs in the educational institution's accounting records and reports covering any subsequent submission which includes such costs. Also, if the educational institution's base for allocation of any indirect cost pool relevant to the subject sponsored agreement consists of direct labor, direct material, total prime cost, total cost input, etc., the educational institution must include the disallowed direct labor and material costs in its allocation base for such pool. Had the Federal officer's decision been against the auditor, the educational institution would not, of course, have been required to account separately for the costs questioned by the auditor.

(b) An educational institution incurs, and separately identifies, as a part of a service center or expense pool, certain costs which are expressly unallowable under the existing and currently effective regulations. If the costs of the service center or indirect expense pool are regularly a part of the educational institution's base for allocation of general administration and general expenses (GA&GE) or other indirect expenses, the educational institution must allocate the GA&GE or other indirect expenses to sponsored agreements and other final cost objectives by means of a base which includes the identified unallowable indirect costs.

(c) An auditor recommends disallowance of certain indirect costs. The educational institution claims that the costs in question are allowable under the provisions of Office Of Management and Budget Circular A-21, Cost Principles For Educational Institutions; the auditor disagrees. The issue is referred to the Federal officer for resolution pursuant to the sponsored agreement disputes clause. The Federal officer issues a written decision supporting the auditor's position that the total costs questioned are unallowable under the Circular. Following receipt of the Federal officer's decision, the educational institution must identify the disallowed costs and specific other costs incurred for the same purpose in like circumstances in any subsequent estimating, cost accumulation or reporting for Government sponsored agreements, in which such costs are included. If the Federal officer's decision had supported the educational institution's contention, the costs questioned by the auditor would have been allowable and the educational institution would not have been required to provide special identification.

(d) An educational institution incurred certain unallowable costs that were charged indirectly as general administration and general expenses (GA&GE). In the educational institution's proposals for final indirect cost rates to be applied in determining allowable sponsored agreement costs, the educational institution identified and excluded the expressly unallowable costs. In addition, during the course of negotiation of indirect cost rates to be used for bidding and billing purposes, the educational institution agreed to classify as unallowable cost, various directly associated costs of the identifiable unallowable costs. On the basis of negotiations and agreements between the educational institution and the Federal officer's authorized representatives, indirect cost rates were

established, based on the net balance of allowable GA&GE. Application of the rates negotiated to proposals, and to billings, for covered sponsored agreements constitutes compliance with the standard.

(e) An employee, whose salary, travel, and subsistence expenses are charged regularly to the general administration and general expenses (GA&GE) pool, takes several business associates on what is clearly a business entertainment trip. The entertainment costs of such trips is expressly unallowable because it constitutes entertainment expense prohibited by OMB Circular A-21, and is separately identified by the educational institution. The educational institution does not regularly include its GA&GE in any indirect-expense allocation base. In these circumstances, the employee's travel and subsistence expenses would be directly associated costs for identification with the unallowable entertainment expense. However, unless this type of activity constituted a significant part of the employee's regular duties and responsibilities on which his salary was based, no part of the employee's salary would be required to be identified as a directly associated cost of the unallowable entertainment expense.

CAS 9905.506 -- Cost accounting period -- Educational institutions.

#### Purpose

The purpose of this standard is to provide criteria for the selection of the time periods to be used as cost accounting periods for sponsored agreement cost estimating, accumulating, and reporting. This standard will reduce the effects of variations in the flow of costs within each cost accounting period. It will also enhance objectivity, consistency, and verifiability, and promote uniformity and comparability in sponsored agreement cost measurements.

#### Definitions

(a) The following are definitions of terms which are prominent in this standard.

(1) Allocate means to assign an item of cost, or a group of items of cost, to one or more cost objectives. This term

includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.

(2) Cost Objective means a function, organizational subdivision, sponsored agreement, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

(3) Fiscal year means the accounting period for which annual financial statements are regularly prepared, generally a period of 12 months, 52 weeks, or 53 weeks.

(4) Indirect cost pool means a grouping of incurred costs identified with two or more cost objectives but not identified specifically with any final cost objective.

#### Fundamental requirement

Educational institutions shall use their fiscal year as their cost accounting period, except that:

Costs of an indirect function which exists for only a part of a cost accounting period may be allocated to cost objectives of that same part of the period.

An annual period other than the fiscal year may be used as the cost accounting period if its use is an established practice of the educational institution.

A transitional cost accounting period other than a year shall be used whenever a change of fiscal year occurs.

An educational institution shall follow consistent practices in the selection of the cost accounting period or periods in which any types of expense and any types of adjustment to expense (including prior-period adjustments) are accumulated and allocated.

The same cost accounting period shall be used for accumulating costs in an indirect cost pool as for establishing its allocation base, except that the contracting parties may agree to use a different period for establishing an allocation base.

#### Techniques for application

(a) The cost of an indirect function which exists for only a part of a cost accounting period may be allocated on the basis of data for that part of the cost accounting period if the cost is (1) material in amount, (2) accumulated in a separate indirect cost pool or expense pool, and (3) allocated on the basis of an appropriate direct measure of the activity or output of the function during that part of the period.

(b) The practices required by this standard shall include appropriate practices for deferrals, accruals, and other adjustments to be used in identifying the cost accounting periods among which any types of expense and any types of adjustment to expense are distributed. If an expense, such as insurance or employee leave, is identified with a fixed, recurring, annual period which is different from the educational institution's cost accounting period, the standard permits continued use of that different period. Such expenses shall be distributed to cost accounting periods in accordance with the educational institution's established practices for accruals, deferrals, and other adjustments.

(c) Indirect cost allocation rates, based on estimates, which are used for the purpose of expediting the closing of sponsored agreements which are terminated or completed prior to the end of a cost accounting period need not be those finally determined or negotiated for that cost accounting period. They shall, however, be developed to represent a full cost accounting period, except as provided in paragraph (a) of this subsection.

(d) An educational institution may, upon mutual agreement with the Government, use as its cost accounting period a fixed annual period other than its fiscal year, if the use of such a period is an established practice of the educational institution and is consistently used for managing and controlling revenues and disbursements, and appropriate accruals, deferrals or other adjustments are made with respect to such annual periods.

(e) The parties may agree to use an annual period which does not coincide precisely with the cost accounting period for developing the data used in establishing an allocation base: Provided,

(1) The practice is necessary to obtain significant administrative convenience, (2) the practice is consistently followed by the educational institution, (3) the annual period

used is representative of the activity of the cost accounting period for which the indirect costs to be allocated are accumulated, and (4) the practice can reasonably be estimated to provide a distribution to cost objectives of the cost accounting period not materially different from that which otherwise would be obtained.

(f) When a transitional cost accounting period is required, educational institution may select any one of the following: (1) the period, less than a year in length, extending from the end of its previous cost accounting period to the beginning of its next regular cost accounting period, (2) a period in excess of a year, but not longer than 15 months, obtained by combining the period described in subparagraph (f)(1) of this subsection with the previous cost accounting period, or (3) a period in excess of a year, but not longer than 15 months, obtained by combining the period described in subparagraph (f)(1) of this subsection with the next regular cost accounting period. A change in the educational institution's cost accounting period is a change in accounting practices for which an adjustment in the sponsored agreement price may be required.

#### Illustrations

(a) An educational institution allocates indirect expenses for Organized Research on the basis of a modified total direct cost base. In a proposal for a sponsored agreement, it estimates the allocable expenses based solely on the estimated amount of indirect costs allocated to Organized Research and the amount of the modified total direct cost base estimated to be incurred during the 8 months in which performance is scheduled to be commenced and completed. Such a proposal would be in violation of the requirements of this standard that the calculation of the amounts of both the indirect cost pools and the allocation bases be based on the educational institution's cost accounting period.

(b) An educational institution whose cost accounting period is the calendar year, installs a computer service center to begin operations on May 1. The operating expense related to the new service center is expected to be material in amount, will be accumulated in an intermediate cost objective, and will be allocated to the benefitting cost objectives on the basis of measured usage. The total operating expenses of the computer service center for the 8-month part of the cost accounting

period may be allocated to the benefitting cost objectives of that same 8-month period.

(c) An educational institution changes its fiscal year from a calendar year to the 12-month period ending May 31. For financial reporting purposes, it has a 5-month transitional "fiscal year." The same 5-month period must be used as the transitional cost accounting period; it may not be combined, because the transitional period would be longer than 15 months. The new fiscal year must be adopted thereafter as its regular cost accounting period. The change in its cost accounting period is a change in accounting practices; adjustments of the sponsored agreement prices may thereafter be required.

(d) Financial reports are prepared on a calendar year basis on a university-wide basis. However, the contracting segment does all internal financial planning, budgeting, and internal reporting on the basis of a twelve month period ended June 30. The contracting parties agree to use the period ended June&nbsp;30 and they agree to overhead rates on the June 30 basis. They also agree on a technique for prorating fiscal year assignment of the university's central system office expenses between such June 30 periods. This practice is permitted by the standard.

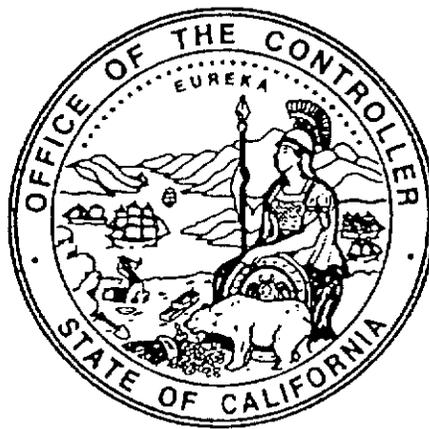
(e) Most financial accounts and sponsored agreement cost records are maintained on the basis of a fiscal year which ends November 30 each year. However, employee vacation allowances are regularly managed on the basis of a "vacation year" which ends September 30 each year. Vacation expenses are estimated uniformly during each "vacation year." Adjustments are made each October to adjust the accrued liability to actual, and the estimating rates are modified to the extent deemed appropriate. This use of a separate annual period for determining the amounts of vacation expense is permitted.

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# MANDATED COST MANUAL FOR SCHOOL DISTRICTS

STATE OF CALIFORNIA



KATHLEEN CONNELL  
STATE CONTROLLER

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## FOREWORD

The claiming instructions contained in this manual are issued for the sole purpose of assisting claimants with the preparation of claims for submission to the State Controllers Office. These instructions have been prepared based upon interpretation of the State of California statutes, regulations, and parameters and guidelines adopted by the Commission on State Mandates. Therefore, unless otherwise specified, these instructions should not be construed in any manner to be statutes, regulations, or standards.

If you have any questions concerning the enclosed material, write to the address below or call the Local Reimbursements Section at (916) 323-3258.

State Controllers Office  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, 94250

Prepared by the State Controller's Office  
Updated September 29, 2000



## FILING A CLAIM

### 1. Introduction

The law in the State of California provides for the reimbursement of costs incurred by local agencies and school districts for costs mandated by the State. 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 after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office. Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A penalty is assessed for late claims. The State Controller's Office may audit the records of any local agency or school district to verify the actual amount of mandated costs and may reduce any claim which is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission On State Mandates may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the State Controller's Office determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the implicit price deflator. Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the implicit price deflator and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The State Controller's Office is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event there is insufficient appropriation to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments are paid when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

### 2. Types of Claims

A claimant may file a reimbursement claim for mandated costs incurred during the previous fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. For mandates included in the State Mandates Apportionment System, a claimant who had established a base year entitlement would automatically be reimbursed by the State Controller's Office for the mandate.

All claims received by the State Controller's Office will be reviewed to verify costs. Adjustments to the claims will be made if the amounts claimed are determined to be excessive, improper or unreasonable. Claims must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are

identified in the "Cost Elements of a Claim" section of this manual. The certification on Form FAM-27 must be signed and dated by the entity's authorized representative in order for the State Controller's Office to make payment on the claim.

#### **A. Reimbursement Claim**

A reimbursement claim is defined by Government Code Section 17522 as any claim for costs incurred by a school district and filed with the State Controller's Office against an appropriation made for the purpose of paying the claim.

- A claimant may file an annual reimbursement claim by January 15 following the fiscal year in which costs were incurred for an on-going program. A reimbursement claim must detail the costs actually incurred for a fiscal year. The claim must include supporting documentation to substantiate the costs claimed. Prior to January 1, 1990, if a claimant submitted an otherwise valid reimbursement claim after the deadline, the Controller would have paid the claim in an amount equal to 80 percent of the amount that would have been paid had the claim been timely filed. Any reimbursement claim submitted more than one year after the deadline would not be paid.
- After January 1, 1990, the late penalty provision was changed by Chapter 589/89. Any reimbursement claim with a filing deadline that is after January 1, 1990, will be reduced by 10 percent of the approved costs, but not to exceed \$1,000 if it is filed after the deadline. Any reimbursement claim submitted more than one year after the deadline will not be paid.

#### **B. Estimated Claim**

An estimated claim is defined by Government Code Section 17522 as any claim filed with the State Controller's Office during the fiscal year in which the mandated costs are to be incurred by the school district against an appropriation made to the State Controller's Office for the purpose of paying those costs.

- A claimant may file an estimated claim for mandated costs to be incurred during the fiscal year. Estimated claims are due by January 15 of the fiscal year in which the costs are to be incurred or by a date specified in the claiming instructions. After having received payment for an estimated claim, the claimant must file a reimbursement claim by January 15 of the following fiscal year. The reimbursement claim must detail the actual costs incurred for the fiscal year in which the estimated claim was filed. If actual costs are greater than or less than the estimated claim, the balance is either the amount due to the claimant or due from the claimant.

#### **C. Entitlement Claim**

An entitlement claim is defined by Government Code Section 17522 as any claim filed by a school district with the State Controller's Office for the sole purpose of establishing or adjusting a base year entitlement for a mandate that has been included in the State Mandates Apportionment System. School mandates included in the State Mandates Apportionment System are listed in Appendix A.

Once a mandate has been included in the State Mandates Apportionment System and the claimant has established a base year entitlement, the claimant will receive automatic payments from the State Controller's Office for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental

agencies, as determined by the State Department of Finance. For programs approved by the Commission On State Mandates for inclusion in the State Mandates

Apportionment System on or after January 1, 1988, the payment for each year succeeding the three year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

- A base year entitlement is determined by computing an average of the claimant's costs for fiscal years 1982-83, 1983-84, 1984-85 or any three consecutive years thereafter. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years which comprise the base year. The State Controller's Office will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, Form FAM-43, to establish a base year entitlement. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from the State Mandates Apportionment System.

### 3. Minimum Claim Amount

The State Controller's Office will not accept or make payment on a claim of \$200 or less. However, a county superintendent of schools may submit a combined claim which exceeds \$200 on behalf of school districts even though an individual district's costs may be \$200 or less, provided the county superintendent is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall be filed in the combined form. The county superintendent shall attach a schedule showing the names of those school districts that are included in the combined claim. A school district may withdraw from the combined claim form by providing a written notice of its intent to file a separate claim to the county superintendent of schools and to the Controller at least 180 days prior to the deadline for filing the claim.

### 4. Eligibility of Costs

Unless specified in the statutes, regulations, or parameters and guidelines, the determination of allowable and unallowable costs for mandates is based on generally accepted accounting principles. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the Commission on State Mandates. The State Controller's Office determines allowable reimbursable costs, subject to amendment by the Commission on State Mandates, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria.

- A. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
- B. The cost is allocable to a particular cost objective.
- C. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The State Controller's Office has identified certain costs that, for the purpose of claiming mandated costs, are unallowable and should not be claimed on the claim forms unless specified as reimbursable under the program. These expenses include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, and general education.

**5. Cost Elements of a Claim**

Claims for reimbursement of mandated costs are comprised of allowable costs that are either direct or indirect. Because each mandate is unique, the cost element guidelines in this chapter are provided as a general reference. If the requirements of a specific mandate differ from these cost guidelines, the requirements outlined under the specific mandate shall take precedence.

**A. Direct Costs**

A direct cost is a cost that can be identified specifically with a particular program or activity. Costs that are typically classified as direct costs are:

**Table 1 Annual Billable Hours**

	<b>Days</b>	<b>Hours Per Day</b>	<b>Total Hours</b>
Gross Hours	365	8	2,920
Weekends	104	8	(832)
Holidays (G.C. 6700)	11	8	(88)
Vacation	14	8	(112)
Sick Leave, Misc.	11	8	(88)
<b>Annual Billable Hours</b>			<b>1,800</b>

- As illustrated in Table 1, a claimant may use 1,800 hours for a full-time employee. If a claimant uses an amount less than 1,800 hours as annual billable hours, a computation of how these hours were computed must be included with the claim.
- Compensation of employees for time devoted specifically to the execution of the mandate.
- Cost of materials acquired, consumed, or expended specifically for the purpose of the mandate.
- Services furnished specifically for the mandate by other entities.

**(1) Employee Wages, Salaries, and Fringe Benefits**

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay.

The claimant may in-lieu of reporting actual compensation and fringe benefits use an hourly rate:

- (a) Compute a billable hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a billable hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual billable hours. Annual billable hours equal the gross annual hours less non-work hours.

**Table 2 Annual Billable Rate, Salary + Benefits Method**

<b>Formula:</b>	<b>Description:</b>
$[(EAS + Benefits) \div ABH] = ABR$	EAS = Employee's Annual Salary
	ABH = Annual Billable Hours
$[(\$26,000 + \$7,750)] \div 1,800 \text{ hrs} = \$18.75$	ABR = Annual Billable Rate

- As illustrated in Table 2, if you assume an employee's compensation was \$26,000 and \$7,750 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the annual billable rate would be \$18.75.

- (b) A claimant may also compute the annual billable rate by using the "Percent of Salary Method."

**Table 3 Annual Billable Rate, Percent of Salary Method**

**Example:**

**Step 1: Fringe Benefits as a Percent of Salary**      **Step 2: Annual Billable Rate**

Retirement	15.00%	<b>Formula:</b> $[(EAS \times (1 + FBR)) \div ABH] = ABR$  $[(\$26,000 + (1.2698)) \div 1,800] = \$18.75$
Social Security	6.30	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
<b>Total</b>	<b>29.80%</b>	

**Description:**

EAS = Employee's Annual Salary      ABH = Annual Billable Hours  
 FBR = Fringe Benefit Rate      ABR = Annual Billable Rate

- As illustrated in Table 3, both methods produce the same annual billable rate.

Reimbursement for personal services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include regular compensation paid to employees during periods of authorized absences (i.e., annual leave, sick leave, etc.) and employer's contributions for social security, pension plans, insurance, workmen's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.

- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personal services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personal services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The number of hours in excess of normal expected hours are not reimbursable.

It is the responsibility of the claimant to make available to the State Controller's Office, upon request, documentation in the form of time sheets, payroll journals, canceled payroll warrants, personnel files, organization charts, duty statements, pay rate schedules, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

(2) Materials and Supplies

Only those materials and supplies not included in the overhead rate and used exclusively for the mandated activity are reimbursable under this cost element. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit and the dollar amount claimed as a cost. Material and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity and costs. Purchases in excess of reasonable quality, quantity and costs are not reimbursable. Materials and supplies that are withdrawn from inventory must be charged to the mandated activity based upon a recognized method of pricing, consistently applied.

It is the responsibility of the claimant to make available to the State Controller, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, canceled warrants and other inventory records to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

(3) Contracted Services

For each of the activities performed, the claimant must list the name of the consulting firm that was contracted with to provide the service and describe the specific mandated activities performed by the consultant. The claimant must also provide the inclusive dates when the service was performed, the number of hours spent to perform the mandate, and the consultant's hourly billing rate. The hourly billing rate shall not exceed the rate specified in the claiming instructions for the mandated program. The consultant's statement, which includes an itemized list of costs for services performed, must accompany the claim.

It is the responsibility of the claimant to make available to the State Controller, upon request, documentation in the form of general and subsidiary ledgers, contracts, invoices, canceled warrants and other relevant documents to support the claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

(4) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the claiming instructions for a particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. For each of the activities performed, the claimant must identify the equipment that was rented, the time period for which the equipment was rented and the cost of the rental.

It is the responsibility of the claimant to make available to the State Controller, upon request, documentation in the form of general and subsidiary ledgers, invoices, canceled warrants, equipment usage records, and other relevant documents to support the claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

(5) Capital Outlays

Capital outlays for land, building, equipment, furniture and fixtures may be claimed only if the claiming instructions specify them as allowable for the program. If the capital outlays are allowable, the claiming instructions for the mandated program will specify the basis for the reimbursement.

It is the responsibility of the claimant to make available to the State Controller, upon request, documentation in the form of general and subsidiary ledgers, invoices, canceled warrants, equipment usage records, and other relevant documents to support the claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

(6) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of local jurisdictions, except for programs which must be reimbursed in accordance with the State Board of Control travel standards (Refer to Appendix B, State of California Travel Expense Guidelines, for current rates.). For each activity performed, the claimant must identify the purpose of the trip, the name and address of the person incurring the expense, the date and time of departure and return for each trip, a description of each expense claimed, the cost of commercial transportation or number of private auto miles traveled and amount of tolls and parking with receipts over \$6.00.

It is the responsibility of the claimant to make available to the State Controller, upon request, documentation in the form of general and subsidiary ledgers, receipts, employee time sheets, canceled warrants, agency travel guidelines, and other relevant documents to support the claimed costs. The type of documentation the claimant should submit with the claim differs with the type of mandate and is discussed in the Claim Forms and Instructions section of each mandate.

**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 State 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 State 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.

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 Benft & 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
Ancilliary 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
(06) Total		\$38,608,398	\$3,092,778	\$35,515,620	\$3,575,998	\$31,939,622
(07) Indirect Cost Rate: (Total Indirect Cost/Total Direct Cost)				11.1961%		
(08) Notes						
(a) Mandated Cost activities designated as direct costs per claim instructions.						

- 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.

### **C. Offset Against Mandated Claims**

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of Government Code Section 17561.

**Example 1:**

As illustrated in Table 5, this example shows how the "Offset Against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

**Table 5 Offset Against State Mandates, Example 1**

	<b>Program Costs</b>	<b>Actual Local Assistance Revenues</b>	<b>State Mandated Costs</b>	<b>Offset Against State Mandated Claims</b>	<b>Claimable Mandated Costs</b>
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

\* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district.

In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. Offset Against State Mandated Claims is the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. The Offset Against State Mandated Claims cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the Offset Against State Mandated Claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the Offset Against State Mandated Claims is \$2,500.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the Offset Against State Mandated Claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the Offset Against State Mandated Claims is \$250. Therefore, the Claimable Mandated Costs are \$2,250.

**Example 2:**

As illustrated in Table 6, this example shows how the Offset Against State Mandated Claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

**Table 6 Offset Against State Mandates, Example 2**

	<b>Program Costs</b>	<b>Actual Local Assistance Revenues</b>	<b>State Mandated Costs</b>	<b>Offset Against State Mandated Claims</b>	<b>Claimable Mandated Costs</b>
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

\*\* School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of State Mandated Costs is likewise reduced to \$1,500. The Offset Against State Mandated Claims is \$1,125. Therefore, the Claimable Mandated Costs are \$375.

**6. Federal and State Funding Sources**

The listing in Appendix C is not inclusive of all funding sources that should be offset against mandated claims but contains some of the more common ones. State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

**7. Governing Authority**

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described by the federal guideline entitled "Cost Principle and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government," A-87.

**8. Payment of Claim by State Controller's Office**

All claims submitted to the State Controller's Office are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the State Controller's Office.

**9. Audit of Claim by State Controller's Office**

The State Controller's Office has the authority to audit the records of a claimant and may reduce any claim which is determined by the State Controller's Office to be excessive or unreasonable. The claimant has the responsibility of retaining, for a period of two years after the end of the calendar year in which the reimbursement claim is filed or last amended, all supporting documents (books of original entry, general and subsidiary ledgers, purchase orders, invoices, canceled warrants and payroll records). In those instances where no funds are appropriated for the program for the fiscal year which the claim is made, the time for the State Controller's Office to initiate an audit commence to run from the date of initial payment of the claim. The claimant also has the responsibility of organizing the claim, supporting work papers and source documents in a manner which provides the auditor with a clear audit trail from the claim to supporting documents.

**10. Claim Forms and Instructions**

A claimant may submit a computer generated report in substitution for Form 1 and Form 2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The State Controller's Office will revise the manual and claim forms as necessary.

**A. Form 2, Component/Activity Cost Detail**

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and

copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than two years after the calendar year in which the reimbursement claim is filed or last amended.

**B. Form 1, Claim Summary**

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Forms 2 and are carried forward to Form FAM-27.

Community colleges have the option of using a federally approved rate (i.e., utilizing the cost accounting principles from Office of Management and Budget Circular A-21) or Form FAM-29C.

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

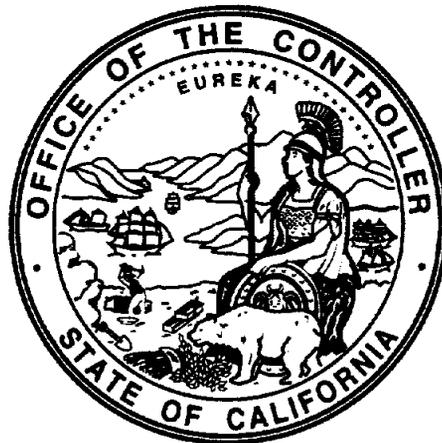
This form contains a certification that must be signed by an authorized representative of the county. All applicable information from Form 1 must be carried forward onto this form in order for the State Controller's Office to process the claim for payment.

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# MANDATED COST MANUAL FOR SCHOOL DISTRICTS

STATE OF CALIFORNIA



**KATHLEEN CONNELL**  
STATE CONTROLLER

## FOREWORD

The claiming instructions contained in this manual are issued for the sole purpose of assisting claimants with the preparation of claims for submission to the State Controller's Office. These instructions have been prepared based upon interpretation of the State of California statutes, regulations, and parameters and guidelines adopted by the Commission on State Mandates. Therefore, unless otherwise specified, these instructions should not be construed in any manner to be statutes, regulations, or standards.

If you have any questions concerning the enclosed material, write to the address below or call the Local Reimbursements Section at (916) 324-5729.

State Controller's Office  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

Prepared by the State Controller's Office  
Updated September 28, 2001

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- B State of California Travel Expense Guidelines
- C Government Code Sections 17500 - 17616

## FILING A CLAIM

### 1. Introduction

The law in the State of California provides for the reimbursement of costs incurred by local agencies and school districts for costs mandated by the State. 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 after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A penalty is assessed for late claims. The SCO may audit the records of any local agency or school district to verify the actual amount of mandated costs and may reduce any claim which is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission On State Mandates (COSM) may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the implicit price deflator. Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the implicit price deflator and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

### 2. Types of Claims

A claimant may file a reimbursement claim for mandated costs incurred during the previous fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. For mandates included in SMAS, a claimant who had established a base year entitlement would automatically be reimbursed by the SCO for the mandate.

All claims received by the SCO will be reviewed to verify costs. Adjustments to the claims will be made if the amounts claimed are determined to be excessive, improper or unreasonable. Claims must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the "Cost Elements of a Claim" section of this manual. The certification on Form FAM-27 must be signed and dated by the entity's authorized representative in order for the SCO to make payment on the claim.

#### A. Reimbursement Claim

A reimbursement claim is defined by Government Code Section (GC §) 17522 as any claim for costs incurred by a local agency or school district and filed with the SCO against an appropriation made for the purpose of paying the claim.

- A claimant may file an annual reimbursement claim by January 15 following the fiscal year in which costs were incurred for an on-going program. A reimbursement claim must detail the costs actually incurred for a fiscal year. The claim must include supporting documentation to substantiate the costs claimed.
- Prior to January 1, 1990, if a claimant submitted an otherwise valid reimbursement claim after the deadline, the Controller would have paid the claim in an amount equal to 80 percent of the amount that would have been paid had the claim been timely filed. Any reimbursement claim submitted more than one year after the deadline would not be paid.
- After January 1, 1990, the late penalty provision was changed by Chapter 589/89. Any reimbursement claim with a filing deadline that is after January 1, 1990, will be reduced by 10 percent of the approved costs, but not to exceed \$1,000 if it is filed after the deadline. Any reimbursement claim submitted more than one year after the deadline will not be paid.
- As added by Chapter 643/99, on October 10, 1999, all initial claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty.

#### **B. Estimated Claim**

An estimated claim is defined by GC § 17522 as any claim filed with the SCO during the fiscal year in which the mandated costs are to be incurred by the local agency or school district against an appropriation made to the SCO for the purpose of paying those costs.

- A claimant may file an estimated claim for mandated costs to be incurred during the fiscal year. Estimated claims are due by January 15 of the fiscal year in which the costs are to be incurred or by a date specified in the claiming instructions. After having received payment for an estimated claim, the claimant must file a reimbursement claim by January 15 of the following fiscal year. The reimbursement claim must detail the actual costs incurred for the fiscal year in which the estimated claim was filed. If actual costs are greater than or less than the estimated claim, the balance is either the amount due to the claimant or due from the claimant.

#### **C. Entitlement Claim**

An entitlement claim is defined by GC § 17522 as any claim filed by a local agency or school district with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandate that has been included in SMAS. School mandates included in SMAS are listed in Appendix A.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

- A base year entitlement is determined by computing an average of the claimant's costs for fiscal years 1982-83, 1983-84, 1984-85 or any three consecutive years thereafter. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to

establish a base year entitlement. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

Claims should be rounded to the nearest dollar. Submit a signed, original form FAM-27, Claim for Payment, and all other forms and supporting documents (no copies necessary). Use the following mailing addresses:

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

If delivered by

Other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 500  
Sacramento, CA 95816

### 3. Minimum Claim Amount

GC Section 17564 provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds two hundred dollars (\$200), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds \$200, even if the individual school district's, direct service district's, or special district's claims do not each exceed \$200. The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the SCO, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

### 4. Eligibility of Costs

Unless specified in the statutes, regulations, or parameters and guidelines, the determination of allowable and unallowable costs for mandates is based on generally accepted accounting principles. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

- The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
- The cost is allocable to a particular cost objective.
- The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that, for the purpose of claiming mandated costs, are unallowable and should not be claimed on the claim forms unless specified as reimbursable under the program. These expenses include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, and general education.

**5. Cost Elements of a Claim**

Claims for reimbursement of mandated costs are comprised of allowable costs that are either direct or indirect. Because each mandate is unique, the cost element guidelines in this chapter are provided as a general reference. If the requirements of a specific mandate differ from these cost guidelines, the requirements outlined under the specific mandate shall take precedence.

**A. Direct Costs**

A direct cost is a cost that can be identified specifically with a particular program or activity. Costs that are typically classified as direct costs are:

**Table 1 Annual Billable Hours**

	<b>Days</b>	<b>Hours Per Day</b>	<b>Total Hours</b>
Gross Hours	365	8	2,920
Weekends	104	8	(832)
Holidays	11	8	(88)
Vacation	14	8	(112)
Sick Leave, Misc.	11	8	(88)
<b>Annual Billable Hours</b>			<b>1,800</b>

- As illustrated in Table 1, a claimant may use 1,800 hours for a full-time employee. If a claimant uses an amount less than 1,800 hours as annual billable hours, a computation of how these hours were computed must be included with the claim.
- Compensation of employees for time devoted specifically to the execution of the mandate.
- Cost of materials acquired, consumed, or expended specifically for the purpose of the mandate.
- Services furnished specifically for the mandate by other entities.

**(1) Employee Wages, Salaries, and Fringe Benefits**

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may in-lieu of reporting actual compensation and fringe benefits use an hourly rate:

- (a) Compute a billable hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a billable hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual billable hours. Annual billable hours equal the gross annual hours less non-work hours.

**Table 2 Annual Billable Rate, Salary + Benefits Method**

<b>Formula:</b>	<b>Description:</b>
$[(EAS + Benefits) \div ABH] = ABR$	EAS = Employee's Annual Salary
	ABH = Annual Billable Hours
$[(\$26,000 + \$7,750)] \div 1,800 \text{ hrs} = \$18.75$	ABR = Annual Billable Rate

- As illustrated in Table 2, if you assume an employee's compensation was \$26,000 and \$7,750 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the annual billable rate would be \$18.75.

- (b) A claimant may also compute the annual billable rate by using the "Percent of Salary Method."

**Table 3 Annual Billable Rate, Percent of Salary Method**

<b>Example:</b>		
<b>Step 1: Fringe Benefits as a Percent of Salary</b>		<b>Step 2: Annual Billable Rate</b>
Retirement	15.00 %	<b>Formula:</b> $[(EAS \times (1 + FBR)) \div ABH] = ABR$  $[(\$26,000 + (1.2698)) \div 1,800 ] = \$18.75$
Social Security	6.30	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
<b>Total</b>	<b>29.80 %</b>	
<b>Description:</b>		
EAS = Employee's Annual Salary		ABH = Annual Billable Hours
FBR = Fringe Benefit Rate		ABR = Annual Billable Rate

- As illustrated in Table 3, both methods produce the same annual billable rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include regular compensation paid to employees during periods of authorized absences (i.e., annual leave, sick leave, etc.) and employer's contributions for social security, pension plans, insurance, workmen's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The number of hours in excess of normal expected hours are not reimbursable.

(2) Materials and Supplies

Only those materials and supplies not included in the overhead rate and used exclusively for the mandated activity are reimbursable under this cost element. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the dollar amount claimed as a cost. Material and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity and costs. Purchases in excess of reasonable quality, quantity and costs are not reimbursable. Materials and supplies that are withdrawn from inventory must be charged to the mandated activity based upon a recognized method of pricing, consistently applied.

(3) Contracted Services

For each of the activities performed, the claimant must list the name of the consulting firm that was contracted with to provide the service and describe the specific mandated activities performed by the consultant. The claimant must also provide the inclusive dates when the service was performed, the number of hours spent to perform the mandate, and the consultant's hourly billing rate. The hourly billing rate shall not exceed the rate specified in the claiming instructions for the mandated program. The consultant's statement, which includes an itemized list of costs for services performed, must accompany the claim.

(4) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the claiming instructions for a particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. For each of the activities performed, the claimant must identify the equipment that was rented, the time period for which the equipment was rented and the cost of the rental.

(5) Capital Outlays

Capital outlays for land, building, equipment, furniture and fixtures may be claimed only if the claiming instructions specify them as allowable for the program. If the capital outlays are allowable, the claiming instructions for the mandated program will specify the basis for the reimbursement.

(6) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of local jurisdictions, except for programs which must be reimbursed in accordance with the State Board of Control travel standards (Refer to Appendix B, State of California Travel Expense Guidelines, for current rates.). For each activity performed, the claimant must identify the purpose of the trip, the name and address of the person incurring the expense, the date and time of departure and return for each trip, a description of each expense claimed, the cost of commercial transportation or number of private auto miles traveled, and amount of tolls and parking with receipts over \$10.00.

(7) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

## 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.						

**C. Offset Against Mandated Claims**

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC § 17561.

**Example 1:**

As illustrated in Table 5, this example shows how the "Offset Against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

**Table 5 Offset Against State Mandates, Example 1**

	<b>Program Costs</b>	<b>Actual Local Assistance Revenues</b>	<b>State Mandated Costs</b>	<b>Offset Against State Mandated Claims</b>	<b>Claimable Mandated Costs</b>
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

\* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims is the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

**Example 2:**

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

Table 6 Offset Against State Mandates, Example 2

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

\*\* School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims is \$1,125. Therefore, the claimable mandated costs are \$375.

#### 6. Federal and State Funding Sources

The listing in Appendix C is not inclusive of all funding sources that should be offset against mandated claims but contains some of the more common ones. State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

#### 7. Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described by the federal guideline entitled "Cost Principle and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government," A-87.

#### 8. Payment of Claim by State Controller's Office

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

#### 9. Audit of Claim by State Controller's Office

The SCO has the authority to audit the records of a claimant and may reduce any claim which is determined by the SCO to be excessive or unreasonable. The claimant has the responsibility of retaining, for a period of two years after the end of the calendar year in which the reimbursement claim is filed or last amended, all supporting documents (books of original entry, general and subsidiary ledgers, purchase orders, invoices, canceled warrants and payroll records). In those instances where no funds are appropriated for the program for the fiscal year which the claim is made, the time for the SCO to initiate an audit commence to run from the date of initial payment of the claim. The claimant also has the responsibility of organizing the claim, supporting work papers and source documents in a manner which provides the auditor with a clear audit trail from the claim to supporting documents.

**10. Claim Forms and Instructions**

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

**A. Form-2, Component/Activity Cost Detail**

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than two years after the calendar year in which the reimbursement claim is filed or last amended.

**B. Form-1, Claim Summary**

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

Community colleges have the option of using a federally approved rate (i.e., utilizing the cost accounting principles from Office of Management and Budget Circular A-21) or form FAM-29C.

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

This form contains a certification that must be signed by an authorized representative of the county. All applicable information from Form-1 must be carried forward onto this form in order for the SCO to process the claim for payment.

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Received  
August 2, 2013  
Commission on  
State Mandates

# MANDATED COST MANUAL FOR COMMUNITY COLLEGES

STATE OF CALIFORNIA



**STEVE WESTLY**  
STATE CONTROLLER

## **FOREWORD**

The claiming instructions contained in this manual are issued for the sole purpose of assisting claimants with the preparation of claims for submission to the State Controller's Office. These instructions have been prepared based upon interpretation of the State of California statutes, regulations, and parameters and guidelines adopted by the Commission on State Mandates. Therefore, unless otherwise specified, these instructions should not be construed in any manner to be statutes, regulations, or standards.

If you have any questions concerning the enclosed material, write to the address below or call the Local Reimbursements Section at (916) 324-5729, or email to [lrsdar@sco.ca.gov](mailto:lrsdar@sco.ca.gov).

State Controller's Office  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

Prepared by the State Controller's Office  
Updated September 30, 2003

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### SECTION 3 State Mandated Cost Programs

Program Name	Chapter/Statute	Program Number
Absentee Ballots	Ch. 77/78	231
Collective Bargaining	Ch. 961/75	232
Health Benefits for Survivors of Peace Officers and Firefighters	Ch. 1120/96	233
Health Fee Elimination	Ch. 1/84	234
Investment Reports	Ch. 783/95	235
Law Enforcement College Jurisdiction Agreements	Ch. 284/98	212
Law Enforcement Sexual Harassment Training	Ch. 126/93	236
Mandate Reimbursement Process	Ch. 486/75	237
Open Meetings Act /Brown Act Reform	Ch. 641/86	238
Peace Officers Procedural Bill of Rights	Ch. 465/76	239
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## REIMBURSABLE STATE MANDATED COST PROGRAMS

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2002-03 Reimburse- ment Claims	2003-04 Estimated Claims	Community College Districts	
x	x	Chapter 77/78	Absentee Ballots
x	x	Chapter 961/75	Collective Bargaining
x	x	Chapter 1120/96	Health Benefits for Survivors of Peace Officers & Firefighters
x	x	Chapter 1/84	Health Fee Elimination
x	x	Chapter 783/95	Investment Reports
x	x	Chapter 284/98	Law Enforcement College Jurisdiction Agreements
x	x	Chapter 126/93	Law Enforcement Sexual Harassment Training
x	x	Chapter 486/75	Mandate Reimbursement Process
x	x	Chapter 641/86	Open Meetings Act/Brown Act Reform
x	x	Chapter 465/76	Peace Officers Procedural Bill of Rights
x	x	Chapter 875/85	Photographic Record of Evidence
x	x	Chapter 908/96	Sex Offenders: Disclosure by Law Enforcement Officers
x	x	Chapter 1249/92	Threats Against Peace Officers

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**APPROPRIATIONS FOR THE 2003-04 FISCAL YEAR**
**Source of State Mandated Cost Appropriations**

<b>Schedule</b>	<b>Program</b>	<b>Amount Appropriated</b>
<b>Chapter 379/02, Item 6110-295-0001<sup>1</sup></b>		
(1) Chapter 77/78	Absentee Ballots	\$ 0
(2) Chapter 961/75	Collective Bargaining	0
(3) Chapter 1120/96	Health Benefits for Survivors of Peace Officers and Firefighters	0
(4) Chapter 783/95	Investment Reports	0
(5) Chapter 284/98	Law Enforcement College Jurisdiction Agreements	0
(6) Chapter 126/93	Law Enforcement Sexual Harassment Training	0
(7) Chapter 486/75	Mandate Reimbursement Process	0
(8) Chapter 641/86	Open Meetings Act/Brown Act Reform	0
(9) Chapter 465/76	Peace Officers Procedural Bill of Rights	0
(10) Chapter 875/85	Photographic Record of Evidence	0
(11) Chapter 908/96	Sex Offenders: Disclosure by Law Enforcement Officers	0
(12) Chapter 1249/92	Threats Against Peace Officers	0
<b>Total Appropriations, Item 6110-295-001</b>		<b>\$ 0</b>
<b>Chapter 379/02, Item 6870-295-0001</b>		
(13) Chapter 1/84	Health Fee Elimination	1,000
<b>TOTAL - Funding for the 2003-04 Fiscal Year</b>		<b>\$1,000</b>

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<sup>1</sup> Pursuant to provision 5, "The Controller shall not make any payment from this item to reimburse community college districts for claimed costs of state-mandated education programs. Reimbursements to community college districts for education mandates shall be paid from the appropriate item within the community colleges budget."

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## FILING A CLAIM

### 1. Introduction

The law in the State of California, (Government Code Sections 17500 through 17616), provides for the reimbursement of costs incurred by school districts for costs mandated by the State. Costs mandated by the State means any increased costs which a school district is required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A 10 percent penalty, (up to \$1,000 for continuing claims, no limit for initial claims), is assessed for late claims. The SCO may audit the records of any school district to verify the actual amount of mandated costs and may reduce any claim that is excessive or unreasonable.

When a program has been reimbursed for three or more years, the COSM may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

### 2. Types of Claims

There are three types of claims: Reimbursement, Estimated, and Entitlement. A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable. The claim must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the instructions for the program. The certification of claim, form FAM-27, must be signed and dated by the entity's authorized officer in order for the SCO to make payment on the claim.

**A. Reimbursement Claim**

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a local agency for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. The claim must include supporting documentation to substantiate the costs claimed.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal years of a program that was previously unfunded. Claims are due 120 days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual reimbursement claims must be filed by January 15 following the fiscal year in which costs were incurred for the program. A reimbursement claim must detail the costs actually incurred in the prior fiscal year.

An actual claim for the 2002-03 fiscal year may be filed by January 15, 2004, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$1,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

**B. Estimated Claim**

An estimated claim is defined in GC Section 17522 as any claim filed with the SCO, during the fiscal year in which the mandated costs are to be incurred by the local agency, against an appropriation made to the SCO for the purpose of paying those costs.

An estimated claim may be filed in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times for estimated costs to be incurred during the current fiscal year. Annual estimated claims are due January 15 of the fiscal year in which the costs are to be incurred. Initial estimated claims are due on the date specified in the claiming instructions. Timely filed estimated claims are paid before those filed after the deadline.

After receiving payment for an estimated claim, the claimant must file a reimbursement claim by January 15 following the fiscal year in which costs were incurred. If the claimant fails to file a reimbursement claim, monies received for the estimated claims must be returned to the State.

**C. Entitlement Claim**

An entitlement claim is defined in GC Section 17522 as any claim filed by a local agency with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by January 15 to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed in Section 2, number 6.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

A base year entitlement is determined by computing an average of the claimant's costs for any three consecutive years after the program has been approved for the SMAS process. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years, which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

### **3. Minimum Claim Amount**

For initial claims and annual claims filed on or after September 30, 2002, if the total costs for a given year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by GC Section 17564. The county shall determine if the submission of a combined claim is economically feasible and shall be responsible for disbursing the funds to each special district. Combined claims may be filed only when the county is the fiscal agent for the special districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a special district, provides to the county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

### **4. Filing Deadline for Claims**

Initial reimbursement claims (first-time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within 120 days from the date of issuance of the program's claiming instructions by the SCO. If the initial reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% penalty. A claim filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for costs incurred during the previous fiscal year and estimated claims for costs to be incurred during the current fiscal year must be filed with the SCO and postmarked on or before January 15. If the annual or estimated reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$1,000. Claims must include supporting data to show how the amount claimed was derived. Without this information, the claim cannot be accepted.

Entitlement claims do not have a filing deadline. However, entitlement claims and supporting documents should be filed by January 15 to permit an orderly processing of claims. Entitlement claims are used to establish a base year entitlement amount for calculating automatic annual payments. Entitlement does not result in the claimant being reimbursed for costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

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## 5. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer.

Reimbursement and estimated claims are paid within 60 days of the filing deadline for the claim. A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. The SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs. The 20 percent withheld is not subject to accrued interest.

In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the COSM which will include these amounts in its report to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. When the supplementary funds are made available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or parameters and guidelines, the determination of allowable and unallowable costs for mandates is based on the Parameters and Guidelines adopted by the COSM. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the Parameters and Guidelines.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that, for the purpose of claiming mandated costs, are unallowable and should not be claimed on the claim forms unless specified as reimbursable under the program. These expenses include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops general education, and travel costs.

## 6. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the COSM.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each school district that has submitted reimbursement claims, (or entitlement claims), for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims, (or entitlement claims), for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in IPD, which is applied separately to each year's costs for the three years

that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

Each school district with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and workload.

In the event a school district has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the school district may file an entitlement claim for each of those missed years to establish a base year entitlement. An "entitlement claim" means any claim filed by a county with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the county determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based, is set forth in GC Section 17615.8 and requires the approval of the COSM.

School Mandates Included In SMAS

Program Name	Chapter/Statute	Program Number
Immunization Records	Ch. 1176/77	32

Pupil Expulsion Transcripts, program #91, Chapter 1253/75 was removed from SMAS for the 2002-03 fiscal year. This program was consolidated with other mandate programs that are included in Pupil Suspension, Expulsions, and Expulsion Appeals, program #176.

## 7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Each claimed reimbursable cost must be supported by documentation as described in Section 12. Costs that are typically classified as direct costs are:

### (1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

#### (a) Productive Hourly Rate Options

A local agency may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800\* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claim must include a computation of how these hours were computed.

\* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

**(b) Compute a Productive Hourly Rate**

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

**Table 1 Productive Hourly Rate, Annual Salary + Benefits Method**

<b>Formula:</b>	<b>Description:</b>
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099) \div 1,800 \text{ hrs}] = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to EAS, multiply the biweekly salary by 26. To convert a monthly salary to EAS, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

**Table 2 Productive Hourly Rate, Percent of Salary Method**

<b>Example:</b>		
<b>Step 1: Fringe Benefits as a Percent of Salary</b>		<b>Step 2: Productive Hourly Rate</b>
Retirement	15.00 %	<b>Formula:</b> $[(EAS \times (1 + FBR)) \div APH] = PHR$  $[(\$26,000 \times (1.3115)) \div 1,800] = \$18.94$
Social Security & Medicare	7.65	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
<b>Total</b>	<b>31.15 %</b>	
<b>Description:</b>		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
FBR = Fringe Benefit Rate		PHR = Productive Hourly Rate

- As illustrated in Table 3, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

#### (c) Calculating an Average Productive Hourly Rate

In those instances where the claiming instructions allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hrs	\$6.00	\$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		\$45.88
Average Productive Hourly Rate is $\$45.88/5.50 \text{ hrs.} = \$8.34$			

#### (d) Employer's Fringe Benefits Contribution

A local agency has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00%
Social Security	7.65%
Health and Dental	5.25%
Insurance	0.75%
Worker's Compensation	0.75%
Total	<u>28.65%</u>

**(e) Materials and Supplies**

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity and cost. Purchases in excess of reasonable quality, quantity and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates and allowances received by local agencies.

**(f) Calculating a Unit Cost for Materials and Supplies**

In those instances where the claiming instructions suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

**Table 1 Calculating A Unit Cost for Materials and Supplies**

<b>Supplies</b>	<u>Cost Per Unit</u>	Amount of Supplies Used Per Activity	Unit Cost of Supplies Per Activity
Paper	0.02	4	\$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	<u>0.40</u>
			<u>\$0.64</u>

**Table 2 Calculating a Unit Cost for Materials and Supplies**

<b>Supplies</b>	<b>Supplies Used</b>	<b>Unit Cost of Supplies Per Activity</b>
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u>\$9.50</u>
<p>If the number of reimbursable instances, is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (<math>\\$9.50 / 25</math>).</p>		

**(g) Contract Services**

The cost of contract services is allowable if the local agency lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor; explain the reason for having to hire a contractor; describe the mandated activities performed; give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the claiming instructions for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

**(h) Equipment Rental Costs**

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the claiming instructions for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the prorata portion of the rental costs can be claimed.

**(i) Capital Outlay**

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the claiming instructions specify them as allowable. If they are allowable, the claiming instructions for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the prorata portion of the purchase price used to implement the reimbursable activities can be claimed.

**(j) Travel Expenses**

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the claiming instructions may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure and return for the trip, description of each expense claimed, the cost of transportation,

number of private auto mileage traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

**(k) Documentation**

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

**8. Indirect Costs**

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.

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:

1. The elimination of unallowable costs from the expenses reported on the financial statements.
2. The segregation of the adjusted expenses between those incurred for direct and indirect activities.
3. The development of a ratio between the total indirect expenses and the 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 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, Policy Making and Coordination, Fiscal Operations, Human Resources Management, Management Information Systems, Other General Institutional Support Services, and Logistical Services. If any costs included in these accounts are claimed as a mandated cost, i.e., salaries of employees 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 Development, Staff Diversity, 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 indirect cost percentage if the college can support its allocation basis.

The indirect cost rate, derived by determining the ratio of total indirect expenses to 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**

<b>MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES</b>						<b>FORM FAM-29C</b>
(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 and Instructional Governance	6000					
Academic Administration	6010	2,941,386	105,348	2,836,038	0	2,836,038
Course and Curriculum Develop.	6020	21,595	0	21,595	0	21,595
Academic/Faculty Senate	6030					
Other Instructional Administration & Instructional Governance	6090					
Instructional Support Services	6100					
Learning Center	6110	22,737	863	21,874	0	21,874
Library	6120	518,220	2,591	515,629	0	515,629
Media	6130	522,530	115,710	406,820	0	406,820
Museums and Galleries	6140	0	0	0	0	0
Academic Information Systems and Tech.	6150					
Other Instructional Support Services	6190					
Admissions and Records	6200	584,939	12,952	571,987	0	571,987
Counseling and Guidance	6300					
Counseling and Guidance	6310					
Matriculation and Student Assessment	6320					
Transfer Programs	6330					
Career Guidance	6340					
Other Student Counseling and Guidance	6390					
Other Student Services	6400					
Disabled Students Programs & Services	6420					
Subtotal		\$24,201,764	\$1,576,523	\$22,625,241	\$0	\$22,625,241

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
Extended Opportunity Programs & Services	6430					
Health Services	6440	0	0	0	0	0
Student Personnel Admin.	6450	289,926	12,953	276,973	0	276,973
Financial Aid Administration	6460	391,459	20,724	370,735	0	370,735
Job Placement Services	6470	83,663	0	83,663	0	83,663
Veterans Services	6480	25,427	0	25,427	0	25,427
Miscellaneous Student Services	6490	0	0	0	0	0
Operation & Maintenance of Plant	6500					
Building Maintenance and Repairs	6510	1,079,260	44,039	1,035,221	0	1,035,221
Custodial Services	6530	1,227,668	33,677	1,193,991	0	1,193,991
Grounds Maintenance and Repairs	6550	596,257	70,807	525,450	0	525,450
Utilities	6570	1,236,305	0	1,236,305	0	1,236,305
Other	6590	3,454	3,454	0	0	0
Planning, Policy Making, and Coordination	6600	587,817	22,451	565,366	565,366	0
General Inst. Support Services	6700					
Community Relations	6710	0	0	0	0	0
Fiscal Operations	6720	634,605	17,270	617,335	553,184	(a) 64,151
Human Resources Management	6730					
Noninstructional Staff Benefits & Incentives	6740					
Staff Development	6750					
Staff Diversity	6760					
Logistical Services	6770					
Management Information Systems	6780					
Subtotal		\$30,357,605	\$1,801,898	\$28,555,707	\$1,118,550	\$27,437,157

**Table 4 Indirect Cost Rate for Community Colleges (continued)**

<b>MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES</b>						<b>FORM FAM-29C</b>
(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					
Other General Institutional Support Services	6790					
Community Services	6800					
Community Recreation	6810	703,858	20,509	683,349	0	683,349
Community Service Classes	6820	423,188	24,826	398,362	0	398,362
Community Use of Facilities	6830	89,877	10,096	79,781	0	79,781
Economic Development	6840					
Other Community Svcs. & Economic Development	6890					
Ancillary Services	6900					
Bookstores	6910	0	0	0	0	0
Child Development Center	6920	89,051	1,206	87,845	0	87,845
Farm Operations	6930	0	0	0	0	0
Food Services	6940	0	0	0	0	0
Parking	6950	420,274	6,857	413,417	0	413,417
Student Activities	6960	0	0	0	0	0
Student Housing	6970	0	0	0	0	0
Other	6990	0	0	0	0	0
Auxiliary Operations	7000					
Auxiliary Classes	7010	1,124,557	12,401	1,112,156	0	1,112,156
Other Auxiliary Operations	7090	0	0	0	0	0
Physical Property Acquisitions	7100	814,318	814,318	0	0	0
(05) Total		\$34,022,728	\$2,692,111	\$31,330,617	\$1,118,550	\$30,212,067
(06) Indirect Cost Rate: (Total Indirect Cost/Total Direct Cost)				3,70233%		
(07) Notes						
(a) Mandated Cost activities designated as direct costs per claim instructions.						

## 9. Offset Against Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC Section 17561.

### Example 1:

As illustrated in Table 5, this example shows how the "Offset against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

**Table 5 Offset Against State Mandates, Example 1**

	<b>Program Costs</b>	<b>Actual Local Assistance Revenues</b>	<b>State Mandated Costs</b>	<b>Offset Against State Mandated Claims</b>	<b>Claimable Mandated Costs</b>
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

\* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims is the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500, and claimable costs are \$0..

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

### Example 2:

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

**Table 6 Offset Against State Mandates, Example 2**

	<b>Program Costs</b>	<b>Actual Local Assistance Revenues</b>	<b>State Mandated Costs</b>	<b>Offset Against State Mandated Claims</b>	<b>Claimable Mandated Costs</b>
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

\*\* School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims is \$1,125. Therefore, the claimable mandated costs are \$375.

### **Federal and State Funding Sources**

The listing in Appendix C is not inclusive of all funding sources that should be offset against mandated claims but contains some of the more common ones. State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

### **Governing Authority**

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

## **10. Notice of Claim Adjustment**

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

## **11. Audit of Costs**

All claims submitted to the State Controller's Office (SCO) are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the Parameters and Guidelines (P's & G's) adopted by the Commission on State Mandates (COSM). If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

Pursuant to Government Code (GC) Section 17558.5, subdivision (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. All documents used to support the reimbursable activities, must be

retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

On-site audits will be conducted by the SCO as deemed necessary. Accordingly, all documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or amended regardless of the year of costs incurred. When no funds are appropriated for initial claims at the time the claim is filed, supporting documents must be retained for three years from the date of initial payment of the claim. Claim documentation shall be made available to the SCO on request.

## **12. Source Documents**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

## **13. Claim Forms and Instructions**

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

### **A. Form-2, Component/Activity Cost Detail**

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than three years after the reimbursement claim was filed or last amended.

### **B. Form-1, Claim Summary**

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

Community colleges 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 form FAM-29C.

### C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the county. All applicable information from Form-1 must be carried forward onto this form in order for the SCO to process the claim for payment. An original and one copy of the FAM-27 is required.

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment, and all other forms and supporting documents (**To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**) Use the following mailing addresses:

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

If delivered by  
Other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 500  
Sacramento, CA 95816

## 14. RETENTION OF CLAIMING INSTRUCTIONS

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual and the old forms they replace should be removed. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's web site at [www.sco.ca.gov/ard/local/locreim/index/shtml](http://www.sco.ca.gov/ard/local/locreim/index/shtml).

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to [lrsdar@sco.ca.gov](mailto:lrsdar@sco.ca.gov), or call the Local Reimbursements Section at (916) 324-5729.

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the COSM's P's and G's. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.