

ONTARIO-MONTCLAIR SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2004



JOHN CHIANG
California State Controller

June 2009



JOHN CHIANG
California State Controller

June 26, 2009

Samuel Crowe
President, Board of Trustees
Ontario-Montclair School District
Homer F. Briggs Center
950 W. D Street
Ontario, CA 91762

Dear Mr. Crowe:

The State Controller's Office audited the costs claimed by Ontario-Montclair School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$2,952,655 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported or ineligible costs and understated offsetting revenues. The State made no mandate payment to the district.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site link at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Virgil D. Barnes, Ed.D., Superintendent
Ontario-Montclair School District
Luke Ontiveros, Special Assistant to the Superintendent
Ontario-Montclair School District
Gary Thomas, Ed.D., County Superintendent of Schools
San Bernardino County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance

Contents

Audit Report

| | |
|---|----------|
| Summary | 1 |
| Background | 1 |
| Objective, Scope, and Methodology | 2 |
| Conclusion | 2 |
| Views of Responsible Officials | 2 |
| Restricted Use | 3 |
| Schedule 1—Summary of Program Costs..... | 4 |
| Findings and Recommendations | 8 |

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$2,952,655 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported or ineligible costs and understated offsetting revenues. The State made no mandate payment to the district.

Background

Chapter 828, Statutes of 1997 amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with a nationally normed achievement test designated by the State Board of Education. School districts administered the Stanford Achievement Test, Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who is enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000 the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the STAR Program for the period of July 1, 1997, through June 30, 2004.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

Conclusion

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

For the audit period, the Ontario-Montclair School District claimed \$2,952,655 for costs of the STAR Program. Our audit disclosed that the entire amount is unallowable. The State made no mandate payment to the district.

**Views of
Responsible
Officials**

We issued a draft audit report on April 10, 2009. We contacted Luke Ontiveros, Special Assistant to the Superintendent, by telephone on May 20, 2009, regarding a response to the draft report. Mr. Ontiveros indicated that the district would respond by May 22, 2009. We followed up with Mr. Ontiveros via e-mail on May 26, 2009. As of the issuance of this report, the district has not submitted a response.

Restricted Use

This report is solely for the information and use of the Ontario-Montclair School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

June 26, 2009

Schedule 1— Summary of Program Costs July 1, 1997, through June 30, 2004

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1997, through June 30, 1998</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 14,229 | \$ — | \$ (14,229) | Finding 1 |
| Test materials, supplies, and equipment | 2,347 | — | (2,347) | Finding 1 |
| Pretest and post-test coordination | 222,939 | — | (222,939) | Finding 1 |
| Test administration | 12,468 | — | (12,468) | Finding 1 |
| Reporting and recordkeeping | 131,473 | — | (131,473) | Finding 1 |
| Subtotal salaries and benefits | <u>383,456</u> | <u>—</u> | <u>(383,456)</u> | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 333 | 333 | — | Finding 2 |
| Reporting and recordkeeping | 223 | 6,017 | 5,794 | Finding 2 |
| Subtotal materials and supplies | <u>556</u> | <u>6,350</u> | <u>5,794</u> | |
| Total direct costs | 384,012 | 6,350 | (377,662) | |
| Indirect costs | 19,201 | 340 | (18,861) | Findings 1, 2 |
| Total direct and indirect costs | 403,213 | 6,690 | (396,523) | |
| Less offsetting revenues/reimbursements | — | (133,043) | (133,043) | Finding 3 |
| Adjustment to eliminate negative balance | — | 126,353 | 126,353 | |
| Total program costs | <u>\$ 403,213</u> | <u>—</u> | <u>\$ (403,213)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |
| <u>July 1, 1998, through June 30, 1999</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 14,568 | \$ — | \$ (14,568) | Finding 1 |
| Test materials, supplies, and equipment | 2,403 | — | (2,403) | Finding 1 |
| Pretest and post-test coordination | 235,389 | — | (235,389) | Finding 1 |
| Test administration | 12,765 | — | (12,765) | Finding 1 |
| Reporting and recordkeeping | 139,460 | 143 | (139,317) | Finding 1 |
| Subtotal salaries and benefits | <u>404,585</u> | <u>143</u> | <u>(404,442)</u> | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 333 | 333 | — | |
| Reporting and recordkeeping | 223 | 4,436 | 4,213 | Finding 2 |
| Subtotal materials and supplies | <u>556</u> | <u>4,769</u> | <u>4,213</u> | |
| Total direct costs | 405,141 | 4,912 | (400,229) | |
| Indirect costs | 20,257 | 252 | (20,005) | Findings 1, 2 |
| Total direct and indirect costs | 425,398 | 5,164 | (420,234) | |
| Less offsetting revenues/reimbursements | — | (104,447) | (104,447) | Finding 3 |
| Adjustment to eliminate negative balance | — | 99,283 | 99,283 | |
| Total program costs | <u>\$ 425,398</u> | <u>—</u> | <u>\$ (425,398)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1999, through June 30, 2000</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 14,923 | \$ — | \$ (14,923) | Finding 1 |
| Test materials, supplies, and equipment | 2,461 | — | (2,461) | Finding 1 |
| Pretest and post-test coordination | 246,122 | — | (246,122) | Finding 1 |
| Test administration | 13,076 | — | (13,076) | Finding 1 |
| Reporting and recordkeeping | <u>146,255</u> | <u>66</u> | <u>(146,189)</u> | Finding 1 |
| Subtotal salaries and benefits | <u>422,837</u> | <u>66</u> | <u>(422,771)</u> | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 333 | — | (333) | Finding 2 |
| Pretest and post-test coordination | — | 333 | 333 | Finding 2 |
| Reporting and recordkeeping | <u>223</u> | <u>4,538</u> | <u>4,315</u> | Finding 2 |
| Subtotal materials and supplies | <u>556</u> | <u>4,871</u> | <u>4,315</u> | |
| Total direct costs | 423,393 | 4,937 | (418,456) | |
| Indirect costs | <u>21,170</u> | <u>240</u> | <u>(20,930)</u> | Findings 1, 2 |
| Total direct and indirect costs | 444,563 | 5,177 | (439,386) | |
| Less offsetting revenues/reimbursements | — | (33,417) | (33,417) | Finding 3 |
| Adjustment to eliminate negative balance | <u>—</u> | <u>28,240</u> | <u>28,240</u> | |
| Total program costs | <u>\$ 444,563</u> | <u>—</u> | <u>\$ (444,563)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |
| <u>July 1, 2000, through June 30, 2001</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 15,296 | \$ — | \$ (15,296) | Finding 1 |
| Test materials, supplies, and equipment | 2,523 | — | (2,523) | Finding 1 |
| Pretest and post-test coordination | 254,548 | — | (254,548) | Finding 1 |
| Test administration | 13,403 | — | (13,403) | Finding 1 |
| Reporting and recordkeeping | <u>151,530</u> | <u>71</u> | <u>(151,459)</u> | Finding 1 |
| Subtotal salaries and benefits | <u>437,300</u> | <u>71</u> | <u>(437,229)</u> | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 333 | — | (333) | Finding 2 |
| Pretest and post-test coordination | — | 333 | 333 | |
| Reporting and recordkeeping | <u>223</u> | <u>4,650</u> | <u>4,427</u> | Finding 2 |
| Subtotal materials and supplies | <u>556</u> | <u>4,983</u> | <u>4,427</u> | |
| Total direct costs | 437,856 | 5,054 | (432,802) | |
| Indirect costs | <u>21,893</u> | <u>284</u> | <u>(21,609)</u> | Findings 1, 2 |
| Total direct and indirect costs | 459,749 | 5,338 | (454,411) | |
| Less offsetting revenues/reimbursements | — | (34,907) | (34,907) | Finding 3 |
| Adjustment to eliminate negative balance | <u>—</u> | <u>22,569</u> | <u>29,569</u> | |
| Total program costs | <u>\$ 459,749</u> | <u>—</u> | <u>\$ (459,749)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2001, through June 30, 2002</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 17,555 | \$ — | \$ (17,555) | Finding 1 |
| Test materials, supplies, and equipment | 2,864 | — | (2,864) | Finding 1 |
| Pretest and post-test coordination | 279,608 | — | (279,608) | Finding 1 |
| Test administration | 25,394 | — | (25,394) | Finding 1 |
| Reporting and recordkeeping | <u>173,018</u> | <u>102</u> | <u>(172,916)</u> | Finding 1 |
| Subtotal salaries and benefits | 498,439 | 102 | (498,337) | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 438 | — | (438) | Finding 2 |
| Pretest and post-test coordination | — | 438 | 438 | |
| Reporting and recordkeeping | <u>223</u> | <u>5,076</u> | <u>4,853</u> | Finding 2 |
| Subtotal materials and supplies | 661 | 5,514 | 4,853 | |
| Total direct costs | 499,100 | 5,616 | (493,484) | |
| Indirect costs | <u>29,946</u> | <u>311</u> | <u>(29,635)</u> | Findings 1, 2 |
| Total direct and indirect costs | 529,046 | 5,927 | (523,119) | |
| Less offsetting revenues/reimbursements | — | (34,910) | (34,910) | Finding 3 |
| Adjustment to eliminate negative balance | <u>—</u> | <u>28,983</u> | <u>28,983</u> | |
| Total program costs | <u>\$ 529,046</u> | <u>—</u> | <u>\$ (529,046)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |
| <u>July 1, 2002, through June 30, 2003</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 138,920 | \$ — | \$ (138,920) | Finding 1 |
| Test materials, supplies, and equipment | 7,514 | — | (7,514) | Finding 1 |
| Pretest and post-test coordination | 183,179 | 2,138 | (181,041) | Finding 1 |
| Test administration | 54,454 | — | (54,454) | Finding 1 |
| Reporting and recordkeeping | <u>142,317</u> | <u>1,418</u> | <u>(140,899)</u> | Finding 1 |
| Subtotal salaries and benefits | 526,384 | 3,556 | (522,828) | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | 59,564 | — | (59,564) | Finding 2 |
| Reporting and recordkeeping | <u>—</u> | <u>5,181</u> | <u>5,181</u> | Finding 2 |
| Subtotal materials and supplies | 59,564 | 5,181 | (54,383) | |
| Total direct costs | 585,948 | 8,737 | (577,211) | |
| Indirect costs | <u>22,266</u> | <u>332</u> | <u>(21,934)</u> | Findings 1, 2 |
| Total direct and indirect costs | 608,214 | 9,069 | (599,145) | |
| Less offsetting revenues/reimbursements | — | (40,717) | (40,717) | Finding 3 |
| Adjustment to eliminate negative balance | <u>—</u> | <u>31,648</u> | <u>31,648</u> | |
| Total program costs | <u>\$ 608,214</u> | <u>—</u> | <u>\$ (608,214)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|-----------------------|------------------------|
| <u>July 1, 2003, through June 30, 2004</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 18,863 | \$ 4,395 | \$ (14,468) | Finding 1 |
| Test materials, supplies, and equipment | 3,884 | — | (3,884) | Finding 1 |
| Pretest and post-test coordination | 59,371 | 4,464 | (54,907) | Finding 1 |
| Test administration | 24,343 | — | (24,343) | Finding 1 |
| Reporting and recordkeeping | 20,814 | 1,197 | (19,617) | Finding 1 |
| Subtotal salaries and benefits | <u>127,275</u> | <u>10,056</u> | <u>(117,219)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 1,684 | 289 | (1,395) | Finding 2 |
| Test materials, supplies, and equipment | 5 | — | (5) | Finding 2 |
| Pretest and post-test coordination | — | 8,660 | 8,660 | Finding 2 |
| Reporting and recordkeeping | 57 | 5,397 | 5,340 | Finding 2 |
| Subtotal materials and supplies | <u>1,746</u> | <u>14,346</u> | <u>12,600</u> | |
| Total direct costs | 129,021 | 24,402 | (104,619) | |
| Indirect costs | 6,451 | 1,223 | (5,228) | Findings 1, 2 |
| Total direct and indirect costs | 135,472 | 25,625 | (109,847) | |
| Less offsetting revenues/reimbursements | (53,000) | (44,039) | 8,961 | Finding 3 |
| Adjustment to eliminate negative balance | — | 18,414 | 18,414 | |
| Total program costs | <u>\$ 82,472</u> | <u>—</u> | <u>\$ (82,472)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |
| <u>Summary: July 1, 1997, through June 30, 2004</u> | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 234,354 | \$ 4,395 | \$ (229,959) | |
| Test materials, supplies, and equipment | 23,996 | — | (23,996) | |
| Pretest and post-test coordination | 1,481,156 | 6,602 | (1,474,554) | |
| Test administration | 155,903 | — | (155,903) | |
| Reporting and recordkeeping | 904,867 | 2,997 | (901,870) | |
| Subtotal salaries and benefits | <u>2,800,276</u> | <u>13,994</u> | <u>(2,786,282)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 1,684 | 289 | (1,395) | |
| Test materials, supplies, and equipment | 61,339 | 666 | (60,673) | |
| Pretest and post-test coordination | — | 9,764 | 9,764 | |
| Reporting and recordkeeping | 1,172 | 35,295 | 34,123 | |
| Subtotal materials and supplies | <u>64,195</u> | <u>46,014</u> | <u>(18,181)</u> | |
| Total direct costs | 2,864,471 | 60,008 | (2,804,463) | |
| Indirect costs | 141,184 | 2,982 | (138,202) | |
| Total direct and indirect costs | 3,005,655 | 62,990 | (2,942,665) | |
| Less offsetting revenues/reimbursements | (53,000) | (425,480) | (372,480) | |
| Adjustment to eliminate negative balance | — | 362,490 | 362,490 | |
| Total program costs | <u>\$ 2,952,655</u> | <u>—</u> | <u>\$ (2,952,655)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | | |

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unsupported salaries,
benefits, and related
indirect costs**

The district claimed \$2,800,276 in salaries and benefits and \$138,682 in related indirect costs for the audit period. We determined that \$2,786,282 in salaries and benefits and \$138,024 in related indirect costs are unallowable. The costs were unallowable primarily due to inadequate and insufficient support documentation.

The unallowable salaries and benefits consist of \$2,784,738 in claimed costs that were not supported with time records. District employees estimated time dedicated to the mandated activities. Furthermore, the district claimed time worked without reporting the name of each employee performing the mandated activities. The remaining unallowable costs consist of \$4,892 for supported costs related to the nonreimbursable portion of the mandated STAR Program. In addition, the district did not claim \$3,348 in reimbursable costs.

The following table summarizes the unallowable salaries and benefits by type of error:

| | Fiscal Year | | | | | | Total | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | | 2003-04 |
| Unsupported costs | \$(383,456) | \$(404,585) | \$(422,837) | \$(437,300) | \$(498,439) | \$(522,302) | \$(115,819) | \$ (2,784,738) |
| Nonmandate portion of supported costs | — | — | — | — | — | (883) | (4,009) | (4,892) |
| Unclaimed costs | — | 143 | 66 | 71 | 102 | 357 | 2,609 | 3,348 |
| Audit adjustment | <u>\$(383,456)</u> | <u>\$(404,442)</u> | <u>\$(422,771)</u> | <u>\$(437,229)</u> | <u>\$(498,337)</u> | <u>\$(522,828)</u> | <u>\$(117,219)</u> | <u>\$ (2,786,282)</u> |

District employees did not differentiate between time spent on the California Department of Education (CDE) Standardized Testing and Reporting (STAR) Program and the mandated STAR Program. The district claimed costs related to the CDE’s STAR activities, which include reimbursable and non-reimbursable tests. Based on the CDE test results for the district, we determined that the reimbursable percentages for the mandated STAR Program were 100% for fiscal year (FY) 1997-98, 68% for FY 1998-99 and FY 1999-2000, 66% for FY 2000-01, 69% for FY 2001-02, 66% for FY 2002-03, and 65% for FY 2003-04.

We did allow \$13,994 in salaries and benefits. This amount consisted of \$4,395 in reimbursable training costs (\$1,786 supported and \$2,609 unclaimed), \$6,602 in reimbursable test activities claimed, and \$2,997 in reimbursable reporting and recordkeeping costs (\$2,258 supported and \$739 unclaimed).

During the audit status meetings with district representatives, we addressed the inadequate documentation for salaries and benefits. We suggested that the district perform a time study to support claimed costs. The district chose not to conduct a time study.

The following table summarizes the unallowable salaries and benefits, and related indirect costs by reimbursable activity:

| | Fiscal Year | | | | | | Total | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | | 2003-04 |
| Salaries and benefits: | | | | | | | | |
| Training, policies, and procedures | \$ (14,229) | \$ (14,568) | \$ (14,923) | \$ (15,296) | \$ (17,555) | \$ (138,920) | \$ (14,468) | \$ (229,959) |
| Test, materials, and equipment | (2,347) | (2,403) | (2,461) | (2,523) | (2,864) | (7,514) | (3,884) | (23,996) |
| Pretest and post-test coordination | (222,939) | (235,389) | (246,122) | (254,548) | (279,608) | (181,041) | (54,907) | (1,474,554) |
| Test administration | (12,468) | (12,765) | (13,076) | (13,403) | (25,394) | (54,454) | (24,343) | (155,903) |
| Reporting and recordkeeping | (131,473) | (139,317) | (146,189) | (151,459) | (172,916) | (140,899) | (19,617) | (901,870) |
| Total direct costs | (383,456) | (404,442) | (422,771) | (437,229) | (498,337) | (522,828) | (117,219) | (2,786,282) |
| Total indirect costs | (19,173) | (20,222) | (21,139) | (21,861) | (29,900) | (19,868) | (5,861) | (138,024) |
| Audit adjustment | \$ (402,629) | \$ (424,664) | \$ (443,910) | \$ (459,090) | \$ (528,237) | \$ (542,696) | \$ (123,080) | \$ (2,924,306) |

The program’s parameters and guidelines (section V.A.1.) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section VI.A.) state:

For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to worksheets, employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities otherwise reported in compliance with local, state and federal government requirements.

Recommendation

We recommend that the district claim only costs that are reimbursable under the program’s parameters and guidelines, and are properly supported with source documents.

District’s Response

The district did not respond to the finding and recommendation.

SCO’s Comment

The fiscal effect of the finding remains unchanged since the issuance of the draft report. However, we made minor changes to the table describing the type of errors.

**FINDING 2—
Misstated materials
and supplies**

The district claimed \$64,195 for materials and supplies and \$2,502 in related indirect costs for the audit period. We determined that \$18,181 in material and supplies and \$208 in related indirect costs are unallowable.

For FY 1997-98 through FY 2003-04, the district did not claim allowable postage and envelope costs totaling \$34,123.

For FY 2003-04, the district did not claim \$8,660 of pretest and post-test costs for Spanish Assessment of Basic Education, Second Edition (SABE/2) totaling \$1,220 and STAR labels totaling \$7,440. In addition, the district claimed \$1,395 of unsupported costs related to training, policies, and procedures.

For FY 1999-2000 through FY 2003-04, the district claimed \$60,673 under test materials, supplies, and equipment that was no longer reimbursable under the mandate. Of that amount, \$1,109 relates to activities reimbursable under pretest and post-test coordination. The remaining balance of \$59,564 was not reimbursable under the mandate.

The following table summarizes the unallowable materials and supplies, and related indirect costs by reimbursable activity:

| | Fiscal Year | | | | | | | Total |
|---|-------------|----------|-----------|----------|----------|-------------|------------|-------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | |
| Materials and supplies: | | | | | | | | |
| Training, policies, and procedures | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ (1,395) | \$ (1,395) |
| Test materials, supplies, and equipment | — | — | (333) | (333) | (438) | (59,564) | (5) | (60,673) |
| Pretest and post-test coordination | — | — | 333 | 333 | 438 | — | 8,660 | 9,764 |
| Reporting and recordkeeping | 5,794 | 4,213 | 4,315 | 4,427 | 4,853 | 5,181 | 5,340 | 34,123 |
| Total direct costs | 5,794 | 4,213 | 4,315 | 4,427 | 4,853 | (54,383) | 12,600 | (18,181) |
| Total indirect costs | 290 | 210 | 216 | 221 | 291 | (2,066) | 630 | (208) |
| Audit adjustment | \$ 6,084 | \$ 4,423 | \$ 4,531 | \$ 4,648 | \$ 5,144 | \$ (56,449) | \$ 13,230 | \$ (18,389) |

The parameters and guidelines (section V.2.) state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases should be at the actual price after deducting discounts, rebates, and allowances received by the claimant.

The parameters and guidelines (section IV.E.) state:

The cost of materials and supplies used for reports (including paper and envelopes), the cost of postage for mailing reports to parents, and the costs of computer programming used for reporting purposes is reimbursable under this activity.

Recommendation

We recommend that the district claim only costs that are reimbursable under the program’s parameters and guidelines, and are properly supported with source documents.

District’s Response

The district did not respond to the finding and recommendation.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Understated offsetting
revenues/reimbursements**

The district understated offsetting revenues reimbursements by \$372,480, consisting of \$360,440 in understated STAR apportionments from the CDE and \$12,040 in unreported restricted resources used to fund allowable salaries and benefits.

The following table summarizes understated offsetting revenues/reimbursements:

| | Fiscal Year | | | | | | Total | |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | | 2003-04 |
| Understated STAR apportionment | \$(133,043) | \$(104,447) | \$ (33,417) | \$(34,907) | \$(34,910) | \$(37,026) | \$(17,310) | \$(360,440) |
| Unreported restricted resources | — | — | — | — | — | (3,691) | (8,349) | (12,040) |
| Audit adjustment understated offsetting revenues/reimbursements | <u>\$(133,043)</u> | <u>\$(104,447)</u> | <u>\$ (33,417)</u> | <u>\$(34,907)</u> | <u>\$(34,910)</u> | <u>\$(40,717)</u> | <u>\$(25,659)</u> | <u>\$(372,480)</u> |

The district reported no STAR apportionments it received from the CDE for FY 1997-98 through FY 2002-03 and \$53,000 for FY 2003-04. We recalculated the mandate portion of the STAR apportionments based on CDE's test results to be \$413,440. Consequently, the district understated apportionments by \$360,440.

The following table summarizes the understated STAR apportionment:

| | Fiscal Year | | | | | | Total | |
|-------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | | 2003-04 |
| Reimbursements: | | | | | | | | |
| Apportionments per CDE | \$ 133,043 | \$ 153,599 | \$ 49,143 | \$ 52,890 | \$ 50,594 | \$ 56,100 | \$ 54,908 | <u>\$ 550,277</u> |
| Mandated percentage | × 100% | × 68% | × 68% | × 66% | × 69% | × 661% | × 651% | |
| Apportionment per audit | (133,043) | (104,447) | (33,417) | (34,907) | (34,910) | (37,026) | (35,690) | \$(413,440) |
| Apportionment claimed | — | — | — | — | — | — | 53,000 | 53,000 |
| Audit adjustment | <u>\$(133,043)</u> | <u>\$(104,447)</u> | <u>\$ (33,417)</u> | <u>\$(34,907)</u> | <u>\$(34,910)</u> | <u>\$(37,026)</u> | <u>\$ 17,310</u> | <u>\$(360,440)</u> |

The district did not reduce claimed costs by reimbursable salaries and benefits funded 100% by restricted federal and state resources for FY 2002-03 and FY 2003-04 as follows:

The following table summarizes the unreported restricted resources used to fund allowable salaries and benefits:

| | Fiscal Year | | Total |
|---|-------------------|-------------------|--------------------|
| | 2002-03 | 2003-04 | |
| Federal resources restricted | \$ (1,600) | \$ (4,025) | \$ (5,625) |
| State resources restricted | <u>(1,956)</u> | <u>(3,926)</u> | <u>(5,882)</u> |
| Total salaries and benefits | (3,556) | (7,951) | (11,507) |
| Related indirect costs | <u>(135)</u> | <u>(398)</u> | <u>(533)</u> |
| Audit adjustments (understated offsetting revenues) | <u>\$ (3,691)</u> | <u>\$ (8,349)</u> | <u>\$ (12,040)</u> |

The parameters and guidelines (section VII.) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Recommendation

We recommend that the district offset claimed costs by any federal and state funds received that relate to the mandate.

District's Response

The district did not respond to the finding and recommendation.

SCO's Comment

Since the issuance of the draft report, we decreased the finding by \$1,947, from \$374,427 to \$372,480. We revised the reimbursable percentage for FY 2002-03 and FY 2003-04.

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

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