

RIVERSIDE UNIFIED SCHOOL DISTRICT

Second Reissued Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2003, through June 30, 2007



BETTY T. YEE
California State Controller

February 2016



BETTY T. YEE
California State Controller

February 11, 2016

Tom Hunt, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mr. Hunt:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

The second reissued final report is a reissue of the August 24, 2012 report. The previous report identified \$98,866 for Finding 2 – Non-reimbursable initial truancy notifications claimed. On December 9, 2015, the Commission on State Mandates (Commission) issued a decision in response to the district's incorrect reduction claim filed for the Notification of Truancy Program. In its decision, the Commission directed the SCO to reinstate reductions totaling \$51,501 in Finding 2 based on the extrapolation of audit sampling results for initial truancy notifications issued for pupils who accumulated three but not four unexcused absences or instances of tardiness, and one pupil's notification for which we found insufficient documentation. As a result, allowable costs increased by \$51,501, from \$857,913 to \$909,414, for the audit period.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$909,414 is allowable and \$78,467 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$249,621, contingent upon available appropriations.

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/lis

cc: David Hansen, Ed.D., Superintendent
Riverside Unified School District
Mays Kakish, Chief Business Officer
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Second Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$909,414 is allowable and \$78,467 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$249,621, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (Commission) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now Commission) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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

- Reviewed annual claims filed with SCO to identify any mathematical errors and performed analytical procedures to determine if there were any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Inquired whether the district realized any offsetting savings or reimbursements from the statutes which created the mandated program.
- Selected truancy notifications by using a random number table as part of a statistical sampling plan, traced the notifications to actual cost documentation supporting when the costs were incurred, and then assessed the validity of such costs and their relationship to the mandated program.
- Projected audit results to the populations of truancy notifications using a statistical sampling formula.

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. Except for the following issue, 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 were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

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

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

Conclusion

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

For the audit period, the Riverside Unified School District claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit found that \$909,414 is allowable and \$78,467 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$210,743 from funds specifically appropriated for mandated program claims. Our audit found that \$229,403 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$18,660, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the district \$233,635 from funds specifically appropriated for mandated program claims. Our audit found that \$256,297 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$22,662, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the district \$215,415 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$225,594 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$10,179, contingent upon available appropriations.

For the FY 2006-07 claim, the State made no payment to the district. Our audit found that \$198,120 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on November 20, 2009. Michael H. Fine, Deputy Superintendent, responded by letter dated December 14, 2009. The district disagreed with Findings 2 and 3, and stated that it does not dispute Finding 1 at this time. We issued the final audit report on February 5, 2010.

Subsequently, we revised our audit report on August 24, 2012, to allow partial reimbursement for non-compliant initial truancy notifications that the district distributed in FY 2006-07. We revised Finding 3 to reduce unallowable costs by \$198,120, from \$226,423 to \$28,303. We advised Annette Alvarez, Fiscal Services Manager, of the revision.

**Reason for
Reissuance**

On December 9, 2015, the Commission issued a decision in response to the district's revised incorrect reduction claim. In its decision, the Commission concluded that reductions in Finding 2 should be reinstated to the district based on the extrapolation of audit sampling results for initial truancy notifications issued for pupils who accumulated three but not four unexcused absences or instances of tardiness, and one pupil's notification issued during FY 2003-04 for which the Controller found insufficient documentation. As a result of the reinstated costs, allowable costs increased by \$51,501, from \$857,913 to \$909,414. We advised Mays Kakish, Chief Business Officer, of the second revision to allowable costs in an e-mail dated January 12, 2016. Ms. Kakish did not provide a response.

This second reissued final report supersedes our original final audit report dated February 5, 2010, and the previous reissued final audit report dated August 24, 2012.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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

February 11, 2016

Second Revised Schedule 1— Summary of Program Costs July 1, 2003, through June 30, 2007

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	17,943	16,867	(1,076)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total costs	\$ 245,101	\$ 230,403	\$ (14,698)	
Less late penalty ²	—	(1,000)	(1,000)	
Total program costs	<u>\$ 245,101</u>	229,403	<u>\$ (15,698)</u>	
Less amount paid by the State		(210,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,660</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	19,134	18,018	(1,116)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total costs ⁴	\$ 273,234	\$ 257,297	\$ (15,937)	
Less late penalty ²	—	(1,000)	(1,000)	
Total program costs	<u>\$ 273,234</u>	256,297	<u>\$ (16,937)</u>	
Less amount paid by the State		(233,635)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 22,662</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	15,645	14,517	(1,128)	Finding 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 243,123</u>	\$ 225,594	<u>\$ (17,529)</u>	
Less amount paid by the State ³		(215,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,179</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	14,020	14,020	—	
Uniform cost allowances	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 226,423	\$ 226,423	\$ —	
Noncompliant initial truancy notifications	—	(28,303)	(28,303)	Finding 3
Total program costs	<u>\$ 226,423</u>	\$ 198,120	<u>\$ (28,303)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

Second Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total costs	\$ 987,881	\$ 911,414	\$ (76,467)	
Less late claim penalty ²	—	(2,000)	(2,000)	
Total program costs	<u>\$ 987,881</u>	909,414	<u>\$ (78,467)</u>	
Less amount paid by the State		(659,793)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 249,621</u>		

¹ See the Second Revised Findings and Recommendations section.

² The district's claims included \$2,000 in late penalties (\$1,000 for FY 2003-04 and \$1,000 for FY 2004-05). The SCO assesses the penalty on allowable costs for claims filed after the filing deadline specified in the Controller's claiming instructions. The FY 2003-04 and FY 2004-05 claims were annual reimbursement claims filed after the filing deadline and subject to the late penalty specified in Government Code section 17568, equal to 10% of allowable costs, not to exceed \$1,000.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

⁴ Minor calculation differences due to rounding.

Second Revised Findings and Recommendations

**FINDING 1—
Unsupported initial
truancy notifications
claimed**

The district claimed \$799 in unsupported initial truancy notifications for fiscal year (FY) 2003-04 and FY 2004-05 because attendance records did not support the number of initial truancy notifications claimed.

For FY 2003-04 and FY 2004-05, the district claimed 17,943 and 19,134 initial truancy notifications, respectively. However, its attendance records supported only 17,919 and 19,101 notifications, respectively, for the same fiscal years. The overstated number of truancy notifications totaled 57.

The following table summarizes the unsupported initial truancy notifications claimed:

	Fiscal Year		Total
	2003-04	2004-05	
Number of elementary school initial notifications documented	9,214	9,395	
Number of secondary school initial notifications documented	8,705	9,706	
Total number of initial truancy notifications documented	17,919	19,101	
Less number of initial truancy notifications claimed	(17,943)	(19,134)	
Overstated number of initial truancy notifications	(24)	(33)	(57)
Uniform cost allowance	× \$13.66	× \$14.28	
Audit adjustment	\$ (328)	\$ (471)	\$ (799)

The program’s parameter’s and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform cost allowance and the number of eligible initial truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district overstated allowable initial truancy notifications by \$47,365 during the audit period. This amount is net of the \$5,765 of reimbursable elementary school costs the district did not claim for FY 2005-06.

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district's attendance records supported 454 more initial truancy notifications than it claimed for Harrison and Hawthorne Elementary Schools.

The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups for each year. For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than three unexcused absences or tardiness occurrences during the fiscal year while between the ages of six and 18.

The following table summarizes unallowable initial truancy notifications claimed:

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(15)	(15)	(27)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(10.14)%	(10.14)%	(18.37)%	
Population sampled ¹	× 9,214	× 9,395	× 7,562	
Extrapolated number of unallowable initial truancy notifications	(934)	(952)	(1,389)	
Uniform cost allowance	×\$13.66	×\$14.28	×\$15.54	
Unallowable costs, elementary schools	<u>\$(12,758)</u>	<u>\$(13,595)</u>	<u>\$(21,585)</u>	\$ (47,938)

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Secondary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(2)	(2)	(2)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(1.35)%	(1.35)%	(1.36)%	
Population sampled ¹	× 8,705	× 9,706	× 8,083	
Extrapolated number of unallowable initial truancy notifications	(118)	(131)	(110)	
Uniform cost allowance	×\$13.66	×\$14.28	× \$15.54	
Unallowable costs, secondary schools	\$ (1,612)	\$ (1,871)	\$ (1,709)	(5,192)
Audit adjustment, unallowable initial truancy notifications claimed	<u>\$(14,370)</u>	<u>\$(15,466)</u>	<u>\$(23,294)</u>	<u>\$ (53,130)</u>

¹ Net of unsupported truantries identified in Finding 1. For FY 2005-06, the population of elementary schools sampled totaled 8,016 (7,562 claimed and 454 unclaimed).

The following table summarizes unclaimed allowable initial truancy notifications:

	Fiscal Year 2005-06
<u>Elementary Schools</u>	
Understated number of initial truancy notifications	454
Allowable percentage	× 81.63%
Extrapolated number of unclaimed allowable initial truancy notifications	371
Uniform cost allowance	× \$15.54
Audit adjustment, unclaimed initial truancy notifications	<u>\$ 5,765</u>

The following table summarizes the unallowable initial truancy notifications claimed net of unclaimed notifications:

	Fiscal Years			Total
	2003-04	2004-05	2005-06	
Audit adjustment, unallowable initial truancy notifications claimed	\$ (14,370)	\$ (15,466)	\$ (23,294)	\$ (53,130)
Audit adjustment, unclaimed initial truancy notifications	—	—	5,765	5,765
Total audit adjustment	<u>\$ (14,370)</u>	<u>\$ (15,466)</u>	<u>\$ (17,529)</u>	<u>\$ (47,365)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

FINDING 3— Noncompliant initial truancy notifications

The district claimed unallowable costs totaling \$28,303. The costs are unallowable because the district distributed initial truancy notifications in FY 2006-07 that did not contain all eight items required by the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item listed above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	<u>Fiscal Year</u> <u>2006-07</u>
Number of noncompliant initial truancy notifications	14,020
Uniform cost allowance	<u>× \$16.15</u>
Subtotal	226,423
Unallowable percentage	<u>× (12.5)%</u>
Audit adjustment	<u>\$ (28,303)</u>

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

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