

# **PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

Chapter 498, Statutes of 1983;  
and Chapter 4, Statutes of 1999

*July 1, 1998, through June 30, 2002; July 1, 2003, through June 30, 2008;  
and July 1, 2010, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

March 2017



**BETTY T. YEE**  
California State Controller

March 30, 2017

Karin Freeman, President, Board of Education  
Placentia-Yorba Linda Unified School District  
1301 E. Orangethorpe Ave  
Placentia, CA 92870

Dear Ms. Freeman:

The State Controller's Office audited the costs claimed by Placentia-Yorba Linda Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1998, through June 30, 2002; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$1,916,885 for the mandated program. Our audit found that \$296,310 is allowable and \$1,620,575 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$1,619,115. The State will offset \$1,322,805 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/rg

cc: Greg Plutko, Ed. D., Superintendent  
Placentia-Yorba Linda Unified School District  
Kevin Lee, Assistant Superintendent, Personnel Services  
Placentia-Yorba Linda Unified School District  
David Giordano, Assistant Superintendent, Business Services  
Placentia-Yorba Linda Unified School District  
Dean West, CPA, Associate Superintendent, Business Services  
Orange County Department of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
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Thomas Todd, Assistant Program Budget Manager  
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Anita Dagan, Manager  
Local Government Programs and Services Division  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Placentia-Yorba Linda Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1998, through June 30, 2002; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$1,916,885 for the mandated program. Our audit found that \$296,310 is allowable and \$1,620,575 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$1,619,115. The amount paid exceeds allowable costs claimed by \$1,322,805.

## Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-44665. The legislation provided reimbursement for specific activities related to evaluation and assessment of the performance of "certificated personnel" within each school district, except for those employed in local, discretionary educational programs.

On May 27, 2004, the Commission on State Mandates (Commission) determined that the legislation imposed a state mandate reimbursable under Government Code section 17514.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on September 27, 2005. 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.

The Commission approved reimbursable activities as follows:

- Evaluate and assess the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal laws as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives (Education Code section 44662(b) as amended by Chapter 498, Statutes of 1983).
- Evaluate and assess the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests (Education Code section 44662(b) as amended by Chapter 4, Statutes of 1999).
- Assess and evaluate permanent certificated, instructional, and non-instructional employees who perform the requirements of educational programs mandated by state or federal law and receive an unsatisfactory evaluation in the years in which the permanent

certificated employee would not have otherwise been evaluated pursuant to Education Code section 44664. The additional evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (Education Code section 44664 as amended by Chapter 498, Statutes of 1983).

## **Objectives, Scope, and Methodology**

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 1998, through June 30, 2002; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we:

- Reviewed annual claims filed with SCO to identify any mathematical errors and performed analytical procedures to determine any unusual or unexpected variances from year to year;
- Completed an internal control questionnaire and performed a walkthrough of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Assessed whether computer-processed data provided by the district to support claimed costs was complete, accurate, and reliable;
- Traced listings of employees evaluated and assessed the reimbursability of such employees' evaluations;
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relation to mandated activities; and
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system.

## Conclusion

Our audit found instances of noncompliance with the requirements outlined in our audit objectives. 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, Placentia-Yorba Linda Unified School District claimed \$1,916,885 for costs of the Stull Act Program. Our audit found that \$296,310 is allowable and \$1,620,575 is unallowable.

For the fiscal year (FY) 1998-99 claim, the State paid the district \$213,809. Our audit found that \$23,582 is allowable. The State will offset \$190,227 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the district \$225,169. Our audit found that \$24,283 is allowable. The State will offset \$200,886 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2000-01 claim, the State paid the district \$260,380. Our audit found that \$25,634 is allowable. The State will offset \$234,746 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2001-02 claim, the State paid the district \$264,091. Our audit found that \$26,859 is allowable. The State will offset \$237,232 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$255,319. Our audit found that \$27,551 is allowable. The State will offset \$227,768 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$253,918. Our audit found that \$29,015 is allowable. The State will offset \$224,903 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State paid the district \$146,429. Our audit found that \$30,837 is allowable. The State will offset \$115,592 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2006-07, 2007-08, 2010-11 and 2011-12 claims, the State made no payment to the district. Our audit found that \$108,549 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$108,549, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference telephone call on February 27, 2017. Kevin Lee, Assistant Superintendent, Personnel Services; Martha Suarez, Personnel Secretary; and Lorri Singer, Personnel Technician-Credentials, agreed with the audit results. Mr. Lee declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of Placentia-Yorba Linda Unified School District, the Orange 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, CPA  
Chief, Division of Audits

March 30, 2017

**Schedule—**  
**Summary of Program Costs**  
**July 1, 1998, through June 30, 2002; July 1, 2003, through**  
**June 30, 2008; and July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 198,615	\$ 22,534	\$ (176,081)
Total direct costs	198,615	22,534	(176,081)
Indirect costs	15,194	1,048	(14,146)
Total program costs	<u>\$ 213,809</u>	23,582	<u>\$ (190,227)</u>
Less amount paid by the State		(213,809)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (190,227)</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 214,835	\$ 23,169	\$ (191,666)
Total direct costs	214,835	23,169	(191,666)
Indirect costs	10,334	1,114	(9,220)
Total program costs	<u>\$ 225,169</u>	24,283	<u>\$ (200,886)</u>
Less amount paid by the State		(225,169)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (200,886)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 246,572	\$ 24,275	\$ (222,297)
Total direct costs	246,572	24,275	(222,297)
Indirect costs	13,808	1,359	(12,449)
Total program costs	<u>\$ 260,380</u>	25,634	<u>\$ (234,746)</u>
Less amount paid by the State		(260,380)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (234,746)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 249,213	\$ 25,346	\$ (223,867)
Total direct costs	249,213	25,346	(223,867)
Indirect costs	14,878	1,513	(13,365)
Total program costs	<u>\$ 264,091</u>	26,859	<u>\$ (237,232)</u>
Less amount paid by the State		(264,091)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (237,232)</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 247,402	\$ 26,697	\$ (220,705)
Total direct costs	247,402	26,697	(220,705)
Indirect costs	7,917	854	(7,063)
Total program costs	<u>\$ 255,319</u>	27,551	<u>\$ (227,768)</u>
Less amount paid by the State		(255,319)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (227,768)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 242,242	\$ 27,681	\$ (214,561)
Total direct costs	242,242	27,681	(214,561)
Indirect costs	11,676	1,334	(10,342)
Total program costs	<u>\$ 253,918</u>	29,015	<u>\$ (224,903)</u>
Less amount paid by the State		(253,918)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (224,903)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 139,297	\$ 29,335	\$ (109,962)
Total direct costs	139,297	29,335	(109,962)
Indirect costs	7,132	1,502	(5,630)
Total program costs	<u>\$ 146,429</u>	30,837	<u>\$ (115,592)</u>
Less amount paid by the State		(146,429)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (115,592)</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 121,131	\$ 30,933	\$ (90,198)
Total direct costs	121,131	30,933	(90,198)
Indirect costs	3,852	984	(2,868)
Total program costs	<u>\$ 124,983</u>	31,917	<u>\$ (93,066)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 31,917</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 53,199	\$ 32,469	\$ (20,730)
Total direct costs	53,199	32,469	(20,730)
Indirect costs	2,304	1,406	(898)
Total program costs	<u>\$ 55,503</u>	33,875	<u>\$ (21,628)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 33,875</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 47,630	\$ 35,314	\$ (12,316)
Total direct costs	47,630	35,314	(12,316)
Indirect costs	695	516	(179)
Total program costs	<u>\$ 48,325</u>	35,830	<u>\$ (12,495)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 35,830</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 66,544	\$ 6,684	\$ (59,860)
Total direct costs	66,544	6,684	(59,860)
Indirect costs	2,415	243	(2,172)
Total direct and indirect costs	<u>\$ 68,959</u>	6,927	<u>\$ (62,032)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,927</u>	
<u>Summary: July 1, 1998, through June 30, 2002; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 1,826,680	\$ 284,437	\$ (1,542,243)
Total direct costs	1,826,680	284,437	(1,542,243)
Indirect costs	90,205	11,873	(78,332)
Total program costs	<u>\$ 1,916,885</u>	296,310	<u>\$ (1,620,575)</u>
Less amount paid by the State		(1,619,115)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,322,805)</u>	

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Overstated salaries and benefits

The district claimed \$1,826,680 in salaries and benefits for the audit period. We found that \$1,542,243 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs.

The following table summarizes the unallowable salaries and benefits for evaluation activities by fiscal year:

Fiscal Year	Salaries and Benefits for Evaluation Activities		
	(A) Claimed	(B) Allowable	(C) = (B)-(A) Adjustment
1998-99	\$ 198,615	\$ 22,534	\$ (176,081)
1999-2000	214,835	23,169	(191,666)
2000-01	246,572	24,275	(222,297)
2001-02	249,213	25,346	(223,867)
2003-04	247,402	26,697	(220,705)
2004-05	242,242	27,681	(214,561)
2005-06	139,297	29,335	(109,962)
2006-07	121,131	30,933	(90,198)
2007-08	53,199	32,469	(20,730)
2010-11	47,630	35,314	(12,316)
2011-12	66,544	6,684	(59,860)
	<u>\$ 1,826,680</u>	<u>\$ 284,437</u>	<u>\$ (1,542,243)</u>

### Supporting Time Documents

For the audit period, the district provided time documents for FY 2010-11 and FY 2011-12. During this time, the district evaluated permanent, probationary, and temporary certificated instructional employees.

For the FY 2010-11 and FY 2011-12 time documents, the district recorded the actual time spent to perform various evaluation activities for specific evaluated employees. We worked with the district to characterize these activities into six main activities. We determined that the time spent on the following three activities are reimbursable:

- Informal Observation
- Formal Observation
- Formal Evaluation

We informed the district that for FY 1998-99 to FY 2007-08, except FY 2002-03, the time documents for FY 2010-11 and implicit price deflators would be used to determine allowable costs. During the audit, we found evidence that reimbursable activities were performed in the years for which no contemporaneous time documentation was provided.

Time increments related to the following three activities on the district's time documents were not included in the average time allotment:

- Annual Objectives
- Evaluation Conference
- Remediation

According to the program's parameters and guidelines, the reimbursable evaluation period for permanent certificated instructional employees is every other year. The exception applies when a certificated instructional or non-instructional employee receives an unsatisfactory evaluation. In such instances, a follow-up evaluation in an off cycle year(s) is reimbursable. For the audit period, the district did not provide any records to identify employees who received unsatisfactory evaluations. Therefore, the Evaluation Conference and Remediation activities are not reimbursable. The Annual Objectives activity was required before the enactment of the test claim legislation. The activity is not part of mandated evaluation activities, as it did not impose a new program or higher level of service.

After we removed the non-reimbursable activities reported by the district, the district's time documents support its average time to complete an evaluation for certificated instructional employees as follows:

#### *FY 2010-11*

- 0.66 hours for permanent
- 1.15 hours for probationary
- 0.79 hours for temporary

#### *FY 2011-12*

- 0.42 hours for permanent
- 0.83 hours for probationary
- 0.55 hours for temporary

### **Completed Evaluations**

For the audit period, the district provided time documents for FY 2010-11 and FY 2011-12. The time documents listed the employees who were evaluated for these years only. The two lists were the basis of support for the evaluated population.

We reviewed the evaluation lists for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. The program's parameters and guidelines allow reimbursement for evaluations conducted for certificated instructional personnel who perform the requirements of education programs mandated by state or federal law during specific evaluation periods. The parameters and guidelines also allow reimbursement once per year for evaluations conducted for probationary employees, and every other year for permanent employees.

The following table shows the number of evaluations that are not reimbursable under the mandated program:

Fiscal Year	Number of Completed Evaluations		
	(A) District- Provided	(B) Audited	(C)=(B)-(A) Difference
2010-11	723	615	(108)
2011-12	719	165	(554)
Totals	1,442	780	(662)

The non-reimbursable evaluations included:

- Certificated non-instructional employees that include librarians;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations that were unable to be located by the district.

**Calculation of Allowable Evaluation Costs**

For FY 2010-11 and FY 2011-12, we arrived at allowable salaries and benefits for evaluation activities by multiplying the number of allowable evaluations by the average of allowable hours per evaluation and the average of all claimed productive hourly rates.

For FY 1998-99 to FY 2007-08, except FY 2002-03, we used the data in FY 2010-11 as the “base” year. We applied implicit price deflators to total allowable evaluation activity costs in FY 2003-04 to determine allowable evaluation activity costs for FY 1998-99 to FY 2007-08, except FY 2002-03.

The parameters and guidelines (section IV.A.1) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that perform the requirements of educational programs mandated by state or federal law as it reasonably relates to the instructional techniques and strategies used by the employee and the employee’s adherence to curricular objectives.

Reimbursement for this activity is limited to:

- a. Reviewing the employee’s instructional techniques and strategies and adherence to curricular objectives, and
- b. Including in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:
  - Once each year for probationary certificated employees;
  - Every other year for permanent certificated employees; and

- Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.A.2) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests.

Reimbursement for this activity is limited to:

- a. Reviewing the results of the Standardized Testing and Reporting test as it reasonably relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and
- b. Including in the written evaluation of those certificated employees the assessment of the employee's performance based on the Standardized Testing and Reporting results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:
  - Once each year for probationary certificated employees;
  - Every other year for permanent certificated employees; and
  - Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV—Reimbursable Activities) also state:

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.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed

costs are based on actual costs, are for activities reimbursable under the program’s parameters and guidelines, and are supported by contemporaneous source documentation.

**FINDING 2—  
Overstated indirect costs**

The district claimed \$90,205 in indirect costs for the audit period. We found that \$11,873 is allowable and \$78,332 is unallowable. The unallowable indirect costs of \$77,656 were the result of the unallowable direct costs identified in Finding 1. The unallowable indirect costs of \$676 were the result of an incorrect indirect cost rate in FY 1998-99.

The following table summarizes the indirect cost calculations by fiscal year:

Fiscal Year	Indirect Costs				
	(A) Allowable Direct Costs	(B) Allowable Indirect Cost Rates	(C) = (A)*(B) Allowable Indirect Costs	(D) Claimed Indirect Costs	(F) = (C)-(D) Audit Adjustment
1998-99	\$ 22,534	4.65%	\$ 1,048	\$ 15,194	\$ (14,146)
1999-2000	23,169	4.81%	1,114	10,334	(9,220)
2000-01	24,275	5.60%	1,359	13,808	(12,449)
2001-02	25,346	5.97%	1,513	14,878	(13,365)
2003-04	26,697	3.20%	854	7,917	(7,063)
2004-05	27,681	4.82%	1,334	11,676	(10,342)
2005-06	29,335	5.12%	1,502	7,132	(5,630)
2006-07	30,933	3.18%	984	3,852	(2,868)
2007-08	32,469	4.33%	1,406	2,304	(898)
2010-11	35,314	1.46%	516	695	(179)
2011-12	6,684	3.63%	243	2,415	(2,172)
<b>Total</b>	<b>\$ 284,437</b>		<b>\$ 11,873</b>	<b>\$ 90,205</b>	<b>\$ (78,332)</b>

For FY 1998-99, the California Department of Education (CDE) approved indirect cost rate was 4.65%, but the district claimed an incorrect indirect cost rate of 7.65%. We recalculated allowable indirect costs using the CDE-approved rate.

The parameters and guidelines, (section V.B.) state:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that indirect cost rates it claims agree with CDE-approved rates and that indirect costs are mandate-related and appropriately supported.

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