

TEMECULA VALLEY UNIFIED 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

January 2012



JOHN CHIANG
California State Controller

January 6, 2012

Allen Pulsipher, Ph.D., President
Governing Board
Temecula Valley Unified School District
31350 Rancho Vista Road
Temecula, CA 92592

Dear Dr. Pulsipher:

The State Controller's Office audited the costs claimed by the Temecula Valley Unified 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 \$1,657,746 for the mandated program. Our audit disclosed that \$181,411 is allowable and \$1,476,335 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs. The State paid the district \$734,889. The amount paid exceeds allowable costs claimed by \$553,478.

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/sk

cc: Timothy Ritter, Superintendent
Temecula Valley Unified School District
Rhonda Hensley, Director of Fiscal Services
Temecula Valley Unified School District
Kenneth M. Young, County Superintendent of Schools
Riverside 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
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit, Department of Finance
Jay Lal, Manager, Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	9

Audit Report

Summary

The State Controller's Office audited the costs claimed by the Temecula Valley Unified 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 \$1,657,746 for the mandated program. Our audit disclosed that \$181,411 is allowable and \$1,476,335 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs. The State paid the district \$734,889. The amount paid exceeds allowable costs claimed by \$553,478.

Background

Chapter 828, Statutes 1997, amended Education Code sections 60607, 60609, 60615, and 60630 and added Education Code sections 60640-60641, and 60643. Chapter 828, Statutes 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 each year, to test all students in grades 2 through 11 with a nationally normed achievement test as 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 was 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. The 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 Standardized Testing and Reporting 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.

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 Temecula Valley Unified School District claimed \$1,657,746 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$181,411 is allowable and \$1,476,335 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State made no payments to the district. Our audit disclosed that the claimed costs are unallowable.

For the FY 1998-99 claim, the State paid the district \$163,319 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the claimed costs are unallowable. The State will apply \$163,319 against any balances of unpaid mandated program claims due to the district as of October 19, 2010.

For the FY 1999-2000 claim, the State paid the district \$270,451 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$36,760 is allowable. The State will apply \$233,691 against any balances of unpaid mandated program claims due to the district as of October 19, 2010.

For the FY 2000-01 claim, the State paid the district \$301,119 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that \$42,882 is allowable. The State will apply \$258,237 against any balances of unpaid mandated program claims due to the district as of October 19, 2010.

For the FY 2001-02 claim, the State made no payment to the district. Our audit disclosed that \$42,081 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$42,081, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our audit disclosed that \$47,825 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$47,825, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit disclosed that \$11,863 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$11,863, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 17, 2011. Rhonda Hensley, Director of Fiscal Services, responded by e-mail dated December 19, 2011, indicating that the district will not be submitting a response.

Restricted Use

This report is solely for the information and use of the Temecula Valley Unified 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

January 6, 2012

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>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,251	\$ 6,654	\$ 5,403	Finding 1
Test materials, supplies, and equipment	322	-	(322)	Finding 1
Pre-test and post-test coordination	119,032	38,987	(80,045)	Finding 1
Test administration	-	6,590	6,590	Finding 1
Reporting and recordkeeping	80,832	6,863	(73,969)	Finding 1
Total salaries and benefits	<u>201,437</u>	<u>59,094</u>	<u>(142,343)</u>	
Materials and supplies:				
Reporting and recordkeeping	23	3,552	3,529	Finding 2
Total direct costs	201,460	62,646	(138,814)	
Indirect costs	8,079	2,512	(5,567)	Finding 3
Total direct and indirect costs	209,539	65,158	(144,381)	
Less offsetting reimbursements	-	(75,946)	(75,946)	Finding 4
Subtotal	209,539	(10,788)	(220,327)	
Audit adjustment that exceeds costs claimed	-	10,788	10,788	
Total program cost	<u>\$ 209,539</u>	-	<u>\$ (209,539)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,281	\$ 2,269	\$ 988	Finding 1
Test materials, supplies, and equipment	330	-	(330)	Finding 1
Pre-test and post-test coordination	134,269	30,422	(103,847)	Finding 1
Test administration	-	4,979	4,979	Finding 1
Reporting and recordkeeping	91,191	5,421	(85,770)	Finding 1
Total salaries and benefits	<u>227,071</u>	<u>43,091</u>	<u>(183,980)</u>	
Materials and supplies:				
Reporting and recordkeeping	23	3,814	3,791	Finding 2
Total direct costs	227,094	46,905	(180,189)	
Indirect costs	9,107	1,351	(7,756)	Finding 3
Total direct and indirect costs	236,201	48,256	(187,945)	
Less offsetting reimbursements	-	(67,508)	(67,508)	Finding 4
Subtotal	236,201	(19,252)	(255,453)	
Audit adjustment that exceeds costs claimed	-	19,252	19,252	
Total program cost	<u>\$ 236,201</u>	-	<u>\$ (236,201)</u>	
Less amount paid by the State ²		<u>(163,319)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (163,319)</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>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,312	\$ 4,036	\$ 2,724	Finding 1
Test materials, supplies, and equipment	338	-	(338)	Finding 1
Pre-test and post-test coordination	153,843	34,240	(119,603)	Finding 1
Test administration	-	6,386	6,386	Finding 1
Reporting and recordkeeping	104,498	5,574	(98,924)	Finding 1
Total salaries and benefits	<u>259,991</u>	<u>50,236</u>	<u>(209,755)</u>	
Materials and supplies:				
Reporting and recordkeeping	33	4,252	4,219	Finding 2
Total direct costs	260,024	54,488	(205,536)	
Indirect costs	10,427	3,286	(7,141)	Finding 3
Total direct and indirect costs	270,451	57,774	(212,677)	
Less offsetting reimbursements	-	(21,014)	(21,014)	Finding 4
Total program cost	<u>\$ 270,451</u>	36,760	<u>\$ (233,691)</u>	
Less amount paid by the State ²		(270,451)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (233,691)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,345	\$ 3,351	\$ 2,006	Finding 1
Test materials, supplies, and equipment	347	-	(347)	Finding 1
Pre-test and post-test coordination	171,371	38,018	(133,353)	Finding 1
Test administration	-	6,374	6,374	Finding 1
Reporting and recordkeeping	116,414	5,687	(110,727)	Finding 1
Total salaries and benefits	<u>289,477</u>	<u>53,430</u>	<u>(236,047)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	-	6,417	6,417	Finding 2
Reporting and recordkeeping	33	4,365	4,332	Finding 2
Total materials and supplies	<u>33</u>	<u>10,782</u>	<u>10,749</u>	
Total direct costs	289,510	64,212	(225,298)	
Indirect costs	11,609	2,575	(9,034)	Finding 3
Total direct and indirect costs	301,119	66,787	(234,332)	
Less offsetting reimbursements	-	(23,905)	(23,905)	Finding 4
Total program cost	<u>\$ 301,119</u>	42,882	<u>\$ (258,237)</u>	
Less amount paid by the State ²		(301,119)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (258,237)</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>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,345	\$ 3,624	\$ 2,279	Finding 1
Test materials, supplies, and equipment	346	-	(346)	Finding 1
Pre-test and post-test coordination	192,297	44,648	(147,649)	Finding 1
Test administration	-	7,295	7,295	Finding 1
Reporting and recordkeeping	130,908	6,679	(124,229)	Finding 1
Total salaries and benefits	324,896	62,246	(262,650)	
Materials and supplies:				
Reporting and recordkeeping	33	4,993	4,960	Finding 2
Total direct costs	324,929	67,239	(257,690)	
Indirect costs	13,029	1,029	(12,000)	Finding 3
Total direct and indirect costs	337,958	68,268	(269,690)	
Less offsetting reimbursements	-	(26,187)	(26,187)	Finding 4
Total program cost	\$ 337,958	42,081	\$ (295,877)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 42,081		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 92,141	\$ 3,838	\$ (88,303)	Finding 1
Test materials, supplies, and equipment	524	-	(524)	Finding 1
Pre-test and post-test coordination	95,045	48,946	(46,099)	Finding 1
Test administration	14,620	7,235	(7,385)	Finding 1
Reporting and recordkeeping	63,713	7,594	(56,119)	Finding 1
Total salaries and benefits	266,043	67,613	(198,430)	
Materials and supplies:				
Test materials, supplies, and equipment	14,912	-	(14,912)	Finding 2
Reporting and recordkeeping	-	5,365	5,365	Finding 2
Total materials and supplies	14,912	5,365	(9,547)	
Travel and training:				
Training, policies, and procedures	540	540	-	
Total direct costs	281,495	73,518	(207,977)	
Indirect costs	9,120	2,382	(6,738)	Finding 3
Total direct and indirect costs	290,615	75,900	(214,715)	
Less offsetting reimbursements	-	(28,075)	(28,075)	Finding 4
Total program cost	\$ 290,615	47,825	\$ (242,790)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		\$ 47,825		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,184	\$ 4,952	\$ 3,768	Finding 1
Test materials, supplies, and equipment	2,305	-	(2,305)	Finding 1
Pre-test and post-test coordination	7,040	53,841	46,801	Finding 1
Test administration	829	7,789	6,960	Finding 1
Reporting and recordkeeping	174	7,330	7,156	Finding 1
Total salaries and benefits	<u>11,532</u>	<u>73,912</u>	<u>62,380</u>	
Materials and supplies:				
Reporting and recordkeeping	50	5,443	5,393	Finding 2
Total direct costs	11,582	79,355	67,773	
Indirect costs	281	1,928	1,647	Finding 3
Total direct and indirect costs	11,863	81,283	69,420	
Less offsetting reimbursements	-	(28,579)	(28,579)	Finding 4
Subtotal	11,863	52,704	40,841	
Less allowable costs that exceed costs claimed ³	-	(40,841)	(40,841)	
Total program cost	<u>\$ 11,863</u>	11,863	<u>\$ -</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,863</u>		
<u>Summary: July 1, 1997, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 99,859	\$ 28,724	\$ (71,135)	
Test materials, supplies, and equipment	4,512	-	(4,512)	
Pre-test and post-test coordination	872,897	289,102	(583,795)	
Test administration	15,449	46,648	31,199	
Reporting and recordkeeping	587,730	45,148	(542,582)	
Total salaries and benefits	<u>1,580,447</u>	<u>409,622</u>	<u>(1,170,825)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	14,912	6,417	(8,495)	
Reporting and recordkeeping	195	31,784	31,589	
Total materials and supplies	<u>15,107</u>	<u>38,201</u>	<u>23,094</u>	
Travel and Training:				
Training, policies, and procedures	540	540	-	
Total direct costs	1,596,094	448,363	(1,147,731)	
Indirect costs	61,652	15,063	(46,589)	
Total direct and indirect costs	1,657,746	463,426	(1,194,320)	
Less offsetting reimbursements	-	(271,214)	(271,214)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1997, through June 30, 2004 (continued)</u>				
Subtotal	1,657,746	192,212	(1,465,534)	
Audit adjustment that exceeds costs claimed	-	30,040	30,040	
Less allowable costs that exceed costs claimed ²	-	(40,841)	(40,841)	
Total program cost	<u>\$ 1,657,746</u>	181,411	<u>\$ (1,476,335)</u>	
Less amount paid by the State		(734,889)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (553,478)</u>		

¹ See the Findings and Recommendations section.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

³ Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2003-04.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$1,580,447 in salaries and benefits costs for the audit period. We determined that \$409,622 is allowable and \$1,170,825 is unallowable. The costs were unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the unallowable salaries and benefits costs by fiscal year and reimbursable activities:

Cost Categories	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ 5,403	\$ 988	\$ 2,724	\$ 2,006	\$ 2,279	\$ (88,303)	\$ 3,768	\$ (71,135)
Test materials, supplies, and equipment	(322)	(330)	(338)	(347)	(346)	(524)	(2,305)	(4,512)
Pre-test and post-test coordination	(80,045)	(103,847)	(119,603)	(133,353)	(147,649)	(46,099)	46,801	(583,795)
Test administration	6,590	4,979	6,386	6,374	7,295	(7,385)	6,960	31,199
Reporting and recordkeeping	(73,969)	(85,770)	(98,924)	(110,727)	(124,229)	(56,119)	7,156	(542,582)
Audit adjustment	<u>\$(142,343)</u>	<u>\$(183,980)</u>	<u>\$(209,755)</u>	<u>\$(236,047)</u>	<u>\$(262,650)</u>	<u>\$(198,430)</u>	<u>\$ 62,380</u>	<u>\$(1,170,825)</u>

Unsupported Costs

Initially, all claimed salary and benefit costs were unallowable because the district did not provide documentation to support the claims. During the course of the audit, we worked with the district and developed time standards for determining allowable costs for fiscal year (FY) 1997-98 through FY 2003-04. The time standards were developed based on the district’s time study, our site visits, time surveys, and observations of activities. The district conducted a time study during the Spring 2010 testing period.

Time Study Methodology

We randomly selected two elementary schools, two middle schools, and two high schools to be included in our sample. The six sampled schools represented approximately 22% of the school population for all grade levels. We interviewed school site coordinators and the district coordinator to gain an understanding of the testing process. We also performed time surveys and observations of activities during our site visits.

The district also developed a time tracking form for the time study performed at the sampled school sites. The forms recorded hours attributed to reimbursable activities for the duration of the Spring 2010 testing period. We analyzed the time study results and determined the allowable hours for the audit period. The allowable hours were based on the time increments reported and the number of tests administered in each fiscal year.

We determined allowable hours for various reimbursable activities as follows:

- Training hours were determined based on our time surveys and interviews at school sites and the district office;
- Reporting and recordkeeping hours were determined based on our observation of this activity at various school sites in our sample and at the district office; and
- Hours for pre-test and post-test coordination and test administration were determined based on the time study performed by the district.

Reimbursable Percentage

To calculate allowable costs, we multiplied the allowable hours by the allowable productive hourly rates for various district personnel involved in each reimbursable activity. We further calculated what portion of the salary and benefit costs was attributed to the STAR tests that are reimbursable under the mandate.

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately indentifying costs by individual test. Consequently, the district claimed costs not reimbursable under the mandate.

To segregate reimbursable costs, we determined the percentages of the tests that related to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represented the ratio of mandated tests over all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 100% for FY 1997-98, 70.7% for FY 1998-99, 70.3% for FY 1999-2000, 64.8% for FY 2000-01, 65.2% for FY 2001-02, 65.0% for FY 2002-03, and 61.0% for FY 2003-04.

The 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:

. . . 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 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. . . .

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program’s parameters and guidelines and are properly supported with source documents.

District’s Response

In the e-mail dated December 19, 2011, the district indicated that it will not be submitting a response to the audit findings.

**FINDING 2—
Understated materials
and supplies**

The district claimed \$15,107 in materials and supplies for the audit period. Our audit determined that claimed costs were understated by a total net amount of \$23,094 for the audit period (overstated by \$14,912 and understated by \$38,006).

The following table summarizes the misstated materials and supplies costs by fiscal year and reimbursable activity:

Cost Categories	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Test materials, supplies, and equipment	\$ -	\$ -	\$ -	\$ 6,417	\$ -	\$(14,912)	\$ -	\$ (8,495)
Reporting and recordkeeping	3,529	3,791	4,219	4,332	4,960	5,365	5,393	31,589
Audit adjustment	\$ 3,529	\$ 3,791	\$ 4,219	\$10,749	\$4,960	\$ (9,547)	\$ 5,393	\$ 23,094

For the test materials, supplies, and equipment, the district misstated cost totaling a net amount of \$8,495 in FY 2000-01 and FY 2002-03. The misstated costs related to testing materials. For FY 2000-01, the district did not claim allowable costs totaling \$6,417 for Pre-ID STAR tests. For FY 2002-03, the district claimed unallowable costs totaling \$14,912 for the practice test and study guides.

For reporting and recordkeeping, the district understated costs totaling \$31,589. Those costs related to mailing student test results to parents. We calculated postage, copying, and envelope costs for the total number of students tested in the district in each fiscal year. We then determined allowable costs by applying the reimbursable ratio of mandated tests over all STAR tests administered in the district.

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 cost of computer programming used for reporting purposes is reimbursable under this activity.

The parameters and guidelines, section V.A.2., state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines, section VI.A, state:

. . . 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 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. . . .

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program’s parameters and guidelines and are properly supported with source documents.

District’s Response

In the e-mail dated December 19, 2011, the district indicated that it will not be submitting a response to the audit findings.

**FINDING 3—
Overstated indirect
cost**

The district claimed \$61,652 in indirect costs for the audit period. Our audit determined that \$15,063 is allowable and \$46,589 is unallowable. The unallowable indirect costs totaling \$45,493 occurred as a result of the unallowable direct cost adjustments identified in Findings 1 and 2. The district also misstated indirect costs totaling \$1,096 because it erroneously claimed FY 1997-98 indirect cost rates in FY 1998-99, FY 1999-2000, and FY 2001-02.

The following tables summarize the indirect cost rate variances and indirect cost calculations by fiscal year:

	Fiscal Year		
	1998-99	1999-2000	2001-02
Indirect cost rates:			
Allowable indirect cost rate	2.88%	6.03%	1.53%
Claimed indirect cost rate	4.01%	4.01%	4.01%
Indirect rate adjustments	(1.13)%	2.02%	(2.48)%

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Indirect costs:								
Allowable direct costs	\$ 62,646	\$ 46,905	\$ 54,488	\$ 64,212	\$ 67,239	\$ 73,518	\$ 79,355	\$ 448,363
Times allowable indirect rate	4.01%	2.88%	6.03%	4.01%	1.53%	3.24%	2.43%	
Allowable indirect costs	\$ 2,512	\$ 1,351	\$ 3,286	\$ 2,575	\$ 1,029	\$ 2,382	\$ 1,928	15,063
Less claimed indirect costs	(8,079)	(9,107)	(10,427)	(11,609)	(13,029)	(9,120)	(281)	(61,652)
Audit adjustment	\$ (5,567)	\$ (7,756)	\$ (7,141)	\$ (9,034)	\$ (12,000)	\$ (6,738)	\$ 1,647	\$ (46,589)

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

We recommend that the district ensure that the indirect rates it claims agree with CDE-approved rates, and that indirect costs are mandate-related and appropriately supported.

District’s Response

In the e-mail dated December 19, 2011, the district indicated that it will not be submitting a response to the audit findings.

**FINDING 4—
Understated offsetting
reimbursements**

The district understated offsetting reimbursements by a total of \$271,214 for the audit period.

The district did not report the mandate-related portion of annual STAR apportionments it received from the CDE. We calculated the understated reimbursement as follows:

- We verified the amounts of annual STAR apportionments received by the district; and
- We applied the mandate-related ratio of mandated tests over all STAR tests administered in the district (as identified in Finding 1).

Subsequently, we concluded that the district understated the mandate portion of STAR apportionments by \$271,214.

The following table summarizes the understated offsetting reimbursements by fiscal year:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursements apportionments:								
CDE apportionments	\$ 75,946	\$ 95,485	\$ 29,892	\$ 36,891	\$ 40,164	\$ 43,192	\$ 46,850	\$ 368,420
Mandate-related percentage	(100)%	(70.7)%	(70.3)%	(64.8)%	(65.2)%	(65.0)%	(61.0)%	
Audited apportionments	(75,946)	(67,508)	(21,014)	(23,905)	(26,187)	(28,075)	(28,579)	\$(271,214)
Claimed CDE apportionments	-	-	-	-	-	-	-	-
Audit adjustment	\$ (75,946)	\$ (67,508)	\$ (21,014)	\$ (23,905)	\$ (26,187)	\$ (28,075)	\$ (28,579)	\$(271,214)

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 ensure that all applicable reimbursements are offset on its claims against its mandated program costs.

District's Response

In the e-mail dated December 19, 2011, the district indicated that they will not be submitting a response to the audit findings.

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