

# **SAN JOSE UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 1997, through June 30, 2004*



**BETTY T. YEE**  
California State Controller

January 2015



**BETTY T. YEE**  
**California State Controller**

January 26, 2015

Sandy Engel, Board President  
San Jose Unified School District  
855 Lenzen Avenue  
San Jose, CA 95126

Dear Ms. Engel:

The State Controller's Office audited the costs claimed by San Jose 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 \$2,429,701 for the mandated program. Our audit found that \$1,478,886 is allowable and \$950,815 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$737,989. Allowable costs claimed exceed the amount paid by \$740,897.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 the Commission's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: Vincent Matthews, Ed.D., Superintendent  
San Jose Unified School District  
Florence Eng, Director of Business Support Services  
San Jose Unified School District  
Stephen McMahon, Chief Business Officer  
San Jose Unified School District  
Lorena Jung, Mandated Cost Analyst  
San Jose Unified School District  
Kolvira Chheng, Director  
District Business and Advisory Services  
Santa Clara County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Keith Nezaam, Staff Finance Budget Analyst  
Education Systems Unit  
California Department of Finance  
Christian Osmena, Principal Program Budget Analyst  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Officials.....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>4</b>
<b>Schedule 1—Summary of Program Costs .....</b>	<b>5</b>
<b>Findings and Recommendations.....</b>	<b>10</b>
<b>Attachment—District’s Response to Draft Audit Report</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by San Jose 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 \$2,429,701 for the mandated program. Our audit found that \$1,478,886 is allowable and \$950,815 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$737,989. Allowable costs claimed exceed the amount paid by \$740,897.

## 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 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 (Commission) determined that Chapter 828, Statutes of 1997, and the implementing regulations at California Code of Regulations, Title 5, section 850 through 904, imposed a state mandate upon school districts reimbursable under Government Code section 17561 commencing October 10, 1997.

The parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission 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.

On reconsideration by Statutes of 2004, Chapter 216, section 34; and Statutes 2004, Chapter 895, section 19, the Commission found that effective July 1, 2004, many of the reimbursable activities were either federally mandated or no longer required, and thus were not reimbursable. Accordingly, the Commission deleted the non-reimbursable activities and renamed the program to the National Norm-Referenced Achievement Test Program effective July 1, 2004.

## **Objectives, 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.

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.

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 performance 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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found 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, San Jose Unified School District claimed \$2,429,701 for costs of the Standardized Testing and Reporting Program. Our audit found that \$1,478,886 is allowable and \$950,815 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$375,697 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$222,596 is allowable. The State will apply \$153,101 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 1998-99 claim, the State paid the district \$336,896 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$121,248 is allowable. The State will apply \$215,648 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 1999-2000 claim, the State paid the district \$25,396 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$312,353 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$286,957, contingent upon available appropriations.

For the FY 2000-01 claim, the State made no payment to the district. Our audit found that \$150,567 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$150,567, contingent upon available appropriations.

For the FY 2001-02 claim, the State made no payment to the district. Our audit found that \$337,242 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$337,242, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our audit found that \$188,353 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$188,353, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$146,527 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$146,527, contingent upon available appropriations.

## **Views of Responsible Officials**

We issued a draft audit report on December 30, 2014. Vincent Matthews, Ed.D., Superintendent, responded by letter dated January 9, 2015, disagreeing with the audit results. This final audit report includes the district's response.

As a result of the district's comments to the draft audit report, total allowable material and supplies costs increased by \$35,785, from \$412,717 to \$448,502.

The final audit report also corrects a miscalculation for FY 1999-2000 in the draft report that showed allowable costs exceeding claimed costs. The correction resulted in a \$53,714 reduction to allowable costs for that year. Consistent with Government Code section 17568, we limited total allowable costs for that year to total claimed costs (see Footnote 3 in Schedule 1 for more information).

As a result of these two revisions, total allowable costs for the audit period decreased by \$16,152, from \$1,495,038 to \$1,478,886.

**Restricted Use**

This report is solely for the information and use of San Jose Unified School District, the Santa Clara 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

January 26, 2015

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 13,089	\$ 13,089	\$ —	
Test materials, supplies, and equipment	2,320	2,320	—	
Pretest and posttest coordination	38,180	35,523	(2,657)	Finding 1
Test administration	213,955	213,955	—	
Reporting and recordkeeping	26,775	26,775	—	
Total salaries and benefits	<u>294,319</u>	<u>291,662</u>	<u>(2,657)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	54,777	54,777	—	
Reporting and recordkeeping	—	9,053	9,053	Finding 2
Total materials and supplies	<u>54,777</u>	<u>63,830</u>	<u>9,053</u>	
Total direct costs	349,096	355,492	6,396	
Indirect costs	26,601	27,089	488	Finding 1, 2
Total direct and indirect costs	375,697	382,581	6,884	
Less offsetting reimbursements	—	(159,985)	(159,985)	Finding 3
Total program costs	<u>\$ 375,697</u>	222,596	<u>\$ (153,101)</u>	
Less amount paid by the State <sup>2</sup>		<u>(375,697)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (153,101)</u>		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 174,163	\$ 8,482	\$ (165,681)	Finding 1
Test materials, supplies, and equipment	3,254	2,320	(934)	Finding 1
Pretest and posttest coordination	26,248	18,712	(7,536)	Finding 1
Test administration	84,776	60,437	(24,339)	Finding 1
Reporting and recordkeeping	37,966	27,066	(10,900)	Finding 1
Total salaries and benefits	<u>326,407</u>	<u>117,017</u>	<u>(209,390)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	139,404	133,516	(5,888)	Finding 2
Total materials and supplies	<u>139,404</u>	<u>133,516</u>	<u>(5,888)</u>	
Total direct costs	465,811	250,533	(215,278)	
Indirect costs	31,070	16,711	(14,359)	Finding 1, 2
Total direct and indirect costs	496,881	267,244	(229,637)	
Less offsetting reimbursements	(159,985)	(145,996)	13,989	Finding 3
Total program costs	<u>\$ 336,896</u>	121,248	<u>\$ (215,648)</u>	
Less amount paid by the State <sup>2</sup>		<u>(336,896)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (215,648)</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 10,581	\$ 4,809	\$ (5,772)	Finding 1
Pretest and posttest coordination	103,302	73,075	(30,227)	Finding 1
Test administration	165,999	118,357	(47,642)	Finding 1
Reporting and recordkeeping	6,067	4,326	(1,741)	Finding 1
Total salaries and benefits	<u>285,949</u>	<u>200,567</u>	<u>(85,382)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	206,194	179,639	(26,555)	Finding 2
Reporting and recordkeeping	—	7,115	7,115	Finding 2
Total materials and supplies	<u>206,194</u>	<u>186,754</u>	<u>(19,440)</u>	
Total direct costs	492,143	387,321	(104,822)	
Indirect costs	<u>25,001</u>	<u>19,676</u>	<u>(5,325)</u>	Finding 1, 2
Total direct and indirect costs	517,144	406,997	(110,147)	
Less offsetting reimbursements	(204,791)	(40,930)	163,861	Finding 3
Less allowable costs that exceed claimed costs <sup>3</sup>	—	(53,714)	(53,714)	
Total program costs	<u>\$ 312,353</u>	312,353	<u>\$ —</u>	
Less amount paid by the State <sup>2</sup>		<u>(25,396)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 286,957</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 38,759	\$ 9,800	\$ (28,959)	Finding 1
Test materials, supplies, and equipment	6,593	4,237	(2,356)	Finding 1
Pretest and posttest coordination	102,789	66,052	(36,737)	Finding 1
Test administration	80,098	51,471	(28,627)	Finding 1
Reporting and recordkeeping	44,616	28,670	(15,946)	Finding 1
Total salaries and benefits	<u>272,855</u>	<u>160,230</u>	<u>(112,625)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	27,479	18,002	(9,477)	Finding 2
Reporting and recordkeeping	—	5,677	5,677	Finding 2
Total materials and supplies	<u>27,479</u>	<u>23,679</u>	<u>(3,800)</u>	
Total direct costs	300,334	183,909	(116,425)	
Indirect costs	<u>13,305</u>	<u>8,147</u>	<u>(5,158)</u>	Finding 1, 2
Total direct and indirect costs	313,639	192,056	(121,583)	
Less offsetting reimbursements	(57,405)	(41,489)	15,916	Finding 3
Total program costs	<u>\$ 256,234</u>	150,567	<u>\$ (105,667)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 150,567</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 87,517	\$ 22,267	\$ (65,250)	Finding 1
Test materials, supplies, and equipment	10,688	6,978	(3,710)	Finding 1
Pretest and posttest coordination	197,081	128,674	(68,407)	Finding 1
Test administration	169,750	108,999	(60,751)	Finding 1
Reporting and recordkeeping	105,259	67,893	(37,366)	Finding 1
Total salaries and benefits	<u>570,295</u>	<u>334,811</u>	<u>(235,484)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	41,718	22,434	(19,284)	Finding 2
Reporting and recordkeeping	—	849	849	Finding 2
Total materials and supplies	<u>41,718</u>	<u>23,283</u>	<u>(18,435)</u>	
Fixed assets and equipment				
Test materials, supplies, and equipment	2,581	2,581	—	
Total fixed assets and equipment	<u>2,581</u>	<u>2,581</u>	<u>—</u>	
Total direct costs	614,594	360,675	(253,919)	
Indirect costs	<u>34,110</u>	<u>20,017</u>	<u>(14,093)</u>	Finding 1, 2
Total direct and indirect costs	648,704	380,692	(268,012)	
Less offsetting reimbursements	<u>(64,564)</u>	<u>(43,450)</u>	<u>21,114</u>	Finding 3
Total program costs	<u>\$ 584,140</u>	337,242	<u>\$ (246,898)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 337,242</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 48,643	\$ 11,954	\$ (36,689)	Finding 1
Test materials, supplies, and equipment	3,923	2,513	(1,410)	Finding 1
Pretest and posttest coordination	115,282	73,838	(41,444)	Finding 1
Test administration	139,672	89,460	(50,212)	Finding 1
Reporting and recordkeeping	44,363	28,415	(15,948)	Finding 1
Total salaries and benefits	<u>351,883</u>	<u>206,180</u>	<u>(145,703)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	5,148	1,938	(3,210)	Finding 2
Reporting and recordkeeping	—	7,323	7,323	Finding 2
Total materials and supplies	<u>5,148</u>	<u>9,261</u>	<u>4,113</u>	
Total direct costs	357,031	215,441	(141,590)	
Indirect costs	<u>26,527</u>	<u>16,007</u>	<u>(10,520)</u>	Finding 1, 2
Total direct and indirect costs	383,558	231,448	(152,110)	
Less offsetting reimbursements	<u>(66,550)</u>	<u>(43,095)</u>	<u>23,455</u>	Finding 3
Total program costs	<u>\$ 317,008</u>	188,353	<u>\$ (128,655)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,353</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$37,862	\$5,313	\$(32,549)	Finding 1
Test materials, supplies, and equipment	3,963	2,480	(1,483)	Finding 1
Pretest and posttest coordination	96,867	67,223	(29,644)	Finding 1
Test administration	115,604	69,176	(46,428)	Finding 1
Reporting and recordkeeping	41,845	26,182	(15,663)	Finding 1
Total salaries and benefits	296,141	170,374	(125,767)	
Materials and supplies:				
Test materials, supplies, and equipment	1,745	1,074	(671)	Finding 2
Reporting and recordkeeping	—	7,105	7,105	Finding 2
Total materials and supplies	1,745	8,179	6,434	
Total direct costs	297,886	178,553	(119,333)	
Indirect costs	16,771	10,052	(6,719)	Finding 1, 2
Total direct and indirect costs	314,657	188,605	(126,052)	
Less offsetting reimbursements	(67,284)	(42,078)	25,206	Finding 3
Total program costs	\$247,373	146,527	\$(100,846)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$146,527		
<u>Summary: July 1, 1997, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$410,614	\$75,714	\$(334,900)	
Test materials, supplies, and equipment	30,741	20,848	(9,893)	
Pretest and posttest coordination	679,749	463,097	(216,652)	
Test administration	969,854	711,855	(257,999)	
Reporting and recordkeeping	306,891	209,327	(97,564)	
Total salaries and benefits	2,397,849	1,480,841	(917,008)	
Materials and supplies:				
Test materials, supplies, and equipment	476,465	411,380	(65,085)	
Reporting and recordkeeping	—	37,122	37,122	
Total materials and supplies	476,465	448,502	(27,963)	
Fixed assets and equipment				
Test materials, supplies, and equipment	2,581	2,581	—	
Total fixed assets and equipment	2,581	2,581	—	
Total direct costs	2,876,895	1,931,924	(944,971)	
Indirect costs	173,385	117,699	(55,686)	
Total direct and indirect costs	3,050,280	2,049,623	(1,000,657)	
Less offsetting reimbursements	(620,579)	(517,023)	103,556	
Less allowable costs that exceed claimed costs	—	(53,714)	(53,714)	
Total program costs	\$2,429,701	1,478,886	\$(950,815)	
Less amount paid by the State		(737,989)		
Allowable costs claimed in excess of (less than) amount paid		\$ 740,897		

---

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

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

<sup>3</sup> 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 1999-2000.

# Findings and Recommendations

## FINDING 1— Unallowable salaries and benefits

The district claimed \$2,397,849 in salaries and benefits and \$145,282 in related indirect costs for the audit period. We found that \$917,008 in salaries and benefits and \$54,472 in related indirect costs are unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs.

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

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ -	\$ (165,681)	\$ (5,772)	\$ (28,959)	\$ (65,250)	\$ (36,689)	\$ (32,549)	\$ (334,900)
Test materials, supplies, and equipment	-	(934)	-	(2,356)	(3,710)	(1,410)	(1,483)	(9,893)
Pretest and posttest coordination	(2,657)	(7,536)	(30,227)	(36,737)	(68,407)	(41,444)	(29,644)	(216,652)
Test administration	-	(24,339)	(47,642)	(28,627)	(60,751)	(50,212)	(46,428)	(257,999)
Reporting and recordkeeping	-	(10,900)	(1,741)	(15,946)	(37,366)	(15,948)	(15,663)	(97,564)
Total salaries and benefits	(2,657)	(209,390)	(85,382)	(112,625)	(235,484)	(145,703)	(125,767)	(917,008)
Related indirect costs	(202)	(13,967)	(4,337)	(4,990)	(13,070)	(10,825)	(7,081)	(54,472)
Audit adjustment	<u>\$ (2,859)</u>	<u>\$ (223,357)</u>	<u>\$ (89,719)</u>	<u>\$ (117,615)</u>	<u>\$ (248,554)</u>	<u>\$ (156,528)</u>	<u>\$ (132,848)</u>	<u>\$ (971,480)</u>

## Unsupported and ineligible hours

The district supported claimed costs with activity logs of hours spent on STAR activities by district employees. We reconciled claimed employee hours to the activity logs provided by the district. Our audit found instances of unsupported and ineligible hours, including the district claiming ineligible training hours that exceeded the one-time per employee requirement allowed by the program’s parameters and guidelines, hours that were greater than what was reported on the activity logs, duplicated hours, and understated hours that were allowable.

The following table summarizes the unallowable salaries and benefits that resulted from unsupported and ineligible hours by fiscal year and reimbursable activities:

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ -	\$ (162,265)	\$ (3,835)	\$ (23,507)	\$ (53,410)	\$ (29,975)	\$ (29,370)	\$ (302,362)
Pretest and posttest coordination	(2,657)	-	(813)	-	-	-	10,569	7,099
Test administration	-	-	-	-	(2,804)	-	(5,047)	(7,851)
Reporting and recordkeeping	-	-	-	-	(1,272)	-	-	(1,272)
Audit adjustment	<u>\$(2,657)</u>	<u>\$(162,265)</u>	<u>\$ (4,648)</u>	<u>\$(23,507)</u>	<u>\$(57,486)</u>	<u>\$(29,975)</u>	<u>\$(23,848)</u>	<u>\$(304,386)</u>

### Reimbursable percentages

The district claimed STAR costs for the following four tests:

1. California Standards Tests (CST)
2. Stanford Achievement Test Series, Ninth Edition (SAT-9, or CAT/6 for FY 2002-03)
3. Spanish Assessment of Basic Education, Second Edition (SABE/2)
4. California Alternate Performance Assessment (CAPA)

The parameters and guidelines for the mandated STAR program allow reimbursement for the costs of the following two tests: 1) SAT-9 (CAT/6) and 2) SABE/2. The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

The district combined the costs related to the reimbursable tests with all STAR tests throughout the audit period. 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: 71.29% for fiscal year (FY) 1998-99, 71.30% for FY 1999-2000, 64.26% for FY 2000-01, 65.29% for FY 2001-02, 64.05% for FY 2002-03, and 62.57% FY 2003-04.

To calculate allowable salaries and benefits, we multiplied supported costs for all four STAR tests by allowable productive hourly rates and reimbursable percentages for the entire audit period. We concluded that the district claimed \$612,622 in salaries and benefits that were not related to the mandate.

The following table summarizes the unallowable salaries and benefits not related to the mandate by fiscal year and reimbursable activities.

Reimbursable Components	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:							
Training, policies, and procedures	\$ (3,416)	\$ (1,937)	\$ (5,452)	\$ (11,840)	\$ (6,714)	\$ (3,179)	\$ (32,538)
Test materials, supplies, and equipment	(934)	-	(2,356)	(3,710)	(1,410)	(1,483)	(9,893)
Pretest and posttest coordination	(7,536)	(29,414)	(36,737)	(68,407)	(41,444)	(40,213)	(223,751)
Test administration	(24,339)	(47,642)	(28,627)	(57,947)	(50,212)	(41,381)	(250,148)
Reporting and recordkeeping	(10,900)	(1,741)	(15,946)	(36,094)	(15,948)	(15,663)	(96,292)
Audit adjustment	\$ (47,125)	\$ (80,734)	\$ (89,118)	\$ (177,998)	\$ (115,728)	\$ (101,919)	\$ (612,622)

The program's parameters and guidelines (section V.A.1, Claim Preparation and Submission – Direct Cost Reporting – Salaries and Benefits) 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, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

The parameters and guidelines (section IV.A, Reimbursable Activities – Training, Policies, and Procedures) state:

Reviewing the requirement of the STAR Program and conducting or attending training sessions. Increased costs for substitute teacher time during the school day or for teacher stipends to attend training sessions outside the regular school day (after school or on Saturday) are eligible for reimbursement. However, the time the teacher spends to attend training sessions during that teacher's normal classroom hours is not reimbursable. (One-time activity per employee per test site)

### Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

### District's Response

#### **A. Unsupported and ineligible hours**

The parameters and guidelines limit training reimbursement to a "one-time activity per employee per test site." Considering the number of times the relevant testing regulations were amended over this time period, the numerous annual changes to test publisher's materials, the changing variety of tests conducted, that employees move to different test sites over the years, the auditor's assumption that the testing subject matter was identical each year is without foundation. However, this is a statewide legal issue which has to be determined by the Commission on State Mandates.

#### **B. Reimbursable percentages**

The audit report states that the parameters and guidelines only allow the costs of the SAT-9 (CAT/6) and SABE/2 test, and that the CST and CAPA tests are not reimbursable. The Controller has not provided a copy of the parameters and guidelines in effect for the audit period and this document is not available on the Commission or Controller's web sites. The May 29, 2009, parameters and guidelines referenced by the auditor pertain to the NRAT program effective July 1, 2004, through September 29, 2008, which replaced the STAR program parameters and

guidelines adopted January 24, 2002, and amended December 9, 2005. Until the relevant parameters and guidelines are available and can be reviewed, the relevant testing programs and appropriate percentages cannot be confirmed.

### SCO's Comments

#### **A. Unsupported and ineligible hours**

Our finding and recommendation are unchanged.

The district states in its response that “the auditor’s assumption that the testing subject matter was identical each year is without foundation.” This statement is inaccurate. Varying levels of testing subject matter is irrelevant in relation to the program’s parameters and guidelines, which allow training as a one-time activity per employee. The district does not address the one-time limit imposed on training by the parameters and guidelines.

The program’s parameters and guidelines (section IV.A.) specify that reviewing the requirements of the STAR Program and conducting or attending training sessions is a one-time activity per employee per test site. Additionally, developing internal policies, procedures, and forms to implement the program is also a one-time activity.

#### **B. Reimbursable percentages**

Our finding and recommendation are unchanged.

The district requests that the SCO provide a copy of the parameters and guidelines in effect for the audit period. We previously provided a copy of this document to the district’s mandated cost analyst by email on December 3, 2014 (*Standardized Testing and Reporting* parameters and guidelines, adopted January 24, 2002). We will provide the district with another copy of the relevant parameters and guidelines in effect for the audit period.

Contrary to the district’s assertion, we did not reference the NRAT program’s parameters and guidelines as the audit criteria at any time during the audit or in our draft and final audit reports.

**FINDING 2—  
Unallowable materials  
and supplies**

The district claimed \$476,465 in materials and supplies and \$27,960 in related indirect costs for the audit period. We found that \$27,963 in materials and supplies and \$1,214 in related indirect costs were unallowable. The unallowable costs occurred primarily because the district claimed ineligible and unsupported costs.

The following table summarizes the unallowable materials and supplies costs by fiscal year and reimbursable activities:

Reimbursable Components	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	\$ -	\$ (5,888)	\$ (26,555)	\$ (9,477)	\$ (19,284)	\$ (3,210)	\$ (671)	\$ (65,085)
Reporting and recordkeeping	9,053	-	7,115	5,677	849	7,323	7,105	37,122
Total materials and supplies	9,053	(5,888)	(19,440)	(3,800)	(18,435)	4,113	6,434	(27,963)
Related indirect costs	690	(392)	(988)	(168)	(1,023)	305	362	(1,214)
Audit adjustment	\$ 9,743	\$ (6,280)	\$ (20,428)	\$ (3,968)	\$ (19,458)	\$ 4,418	\$ 6,796	\$ (29,177)

**Ineligible and unsupported costs**

For the Test Materials, Supplies, and Equipment cost component, the district claimed \$476,465 for the audit period. The district overstated the costs by \$65,085 for fiscal year (FY) 1997-98 through FY 2003-04. The district claimed reimbursement for Test Materials, Supplies, and Equipment that were duplicate costs of \$3,378, costs of \$31,392 that were not related to the STAR program, and costs of \$167 that were unsupported.

For the Reporting and Recordkeeping cost component, the district did not claim costs for the audit period. The allowable costs for this component totaled \$37,122. The district incorrectly claimed materials and supplies costs for FY 1997-98 through FY 2003-04 under the Test Materials, Supplies, and Equipment cost component. In addition, the district did not consistently claim costs for postage, paper, and envelope costs for mailing the STAR results for the audit period. We recalculated postage costs using the first-class U.S. Postal Service postage rates obtained from the postal service website, and the number of students tested district-wide for FY 1997-98 through FY 2003-04, obtained from the CDE website. As the costs of postage for mailing reports to parents included the distribution of all four STAR tests, we applied the reimbursable rates to reflect the portion of costs attributed to only the reimbursable tests. As a result, we determined that \$37,122 is allowable.

The district provided invoices to support its claimed materials and supplies costs. We reconciled the claimed materials and supplies to the invoices provided. The total audit adjustment related to unallowable costs totaled a positive \$10,482 and the adjustment related to the reimbursable percentages was \$38,445 (See reimbursable percentage rates in Finding 1).

The parameters and guidelines (sections V.A.2, Claim Preparation and Submission – Direct Cost Reporting – Materials and Supplies) require the district to 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 IV.B, Reimbursable Activities – Test Materials, Supplies, and Equipment) state that Test Materials, Supplies, and Equipment costs are reimbursable for the period of January 2, 1998 through December 15, 1999.

The parameters and guidelines (sections VI.A, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

### Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

### District's Response

#### **A. Test Materials, Supplies, and Equipment**

The audit states that the District overstated these costs by \$100,870 for FY 1997-98 through FY 2003-04 because these costs were outside of the reimbursement period, duplicate costs, costs that were not related to the STAR program, or costs that were unsupported. The audit report does not indicate the amounts attributable to each of the four reasons stated.

Based on review of a schedule provided at the exit conference, the most significant adjustment amount appears to pertain to expenses stated to be "outside of the reimbursement period." The audit report asserts that Test Materials, Supplies, and Equipment were reimbursable for the period of January 2, 1998 through December 15, 1999. The audit report cites to the parameters and guidelines, Section IV B. Reimbursable Activities for this conclusion, however, there is no such statement in the May 29, 2009 parameters and guidelines. Regardless, the Controller does not properly interpret what occurred when the regulations changed on October 26, 1998, and December 16, 1999. Contrary to the Controller's conclusion, all test materials, supplies, and equipment costs were not eliminated by these changes. The July 28, 2005 (p. 33, 34), Commission Statement of Decision indicates that only the publisher's materials costs were eliminated from reimbursement... It is unlikely that any test publisher costs were claimed after December 15, 1999, for the reimbursable tests since none would have been incurred by the District after that date when obtaining publisher materials became a state function. All of the costs eliminated by the audit as outside the reimbursement period should be reviewed again by the auditor using the appropriate criteria.

**B. Reporting and Recordkeeping**

The audit report states that the District did not claim allowable costs of \$37,122 for the Reporting and Recordkeeping cost component for the audit period. However, the District may have claimed some of these types of material and supplies costs in the Test Materials, Supplies, and Equipment cost component, which would be a classification issue, not a disallowance. The audit report calculated the postage, paper, and envelope costs for mailing out the test results, some of which was not claimed by the District, to which the reimbursable percentages were applied. As a result, the audit determined that \$37,122 is allowable. This District agrees with this increase.

SCO's Comments**A. Test Materials, Supplies, and Equipment**

Based on the district's comments to the draft audit report, total allowable material and supplies costs increased by \$35,785, from \$412,717 to \$448,502. To provide greater specificity, we revised the finding to include a breakdown of the amounts attributable to each reason for adjustment.

**B. Reporting and Recordkeeping**

Our finding and recommendation are unchanged. The district agrees with our analysis of the Reporting and Recordkeeping cost component.

**FINDING 3—  
Understated offsetting  
reimbursements**

The district reported offsetting reimbursements of \$620,579 for the audit period. We determined that the district overstated offsetting reimbursements totaling \$103,556. The overstatement occurred because the district received \$687,828 of annual STAR apportionments from the California Department of Education (CDE) and did not properly account for the mandate-related portion of annual STAR apportionments it received from the CDE.

We calculated the overstated reimbursement as follows:

- Verified the amounts of annual STAR apportionments received by the district, and
- Multiplied the reimbursable ratio of mandated tests to the number of all STAR tests administered (as identified in Finding 1).

We concluded that the mandated portion of annual STAR apportionments received by the district was \$517,023 and that the district overstated the mandate portion of STAR apportionments by \$103,556.

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:								
CDE apportionments	\$ (159,985)	\$ (204,791)	\$ (57,405)	\$ (64,564)	\$ (66,550)	\$ (67,284)	\$ (67,249)	\$ (687,828)
Mandate-related percentage	100%	71.29%	71.30%	64.26%	65.29%	64.05%	62.57%	
Mandate-related apportionments	(159,985)	(145,996)	(40,930)	(41,489)	(43,450)	(43,095)	(42,078)	\$ (517,023)
Claimed CDE apportionments	-	159,985	204,791	57,405	64,564	66,550	67,284	620,579
Audit adjustment	\$ (159,985)	\$ 13,989	\$ 163,861	\$ 15,916	\$ 21,114	\$ 23,455	\$ 25,206	\$ 103,556

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

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

#### District's Response

##### Timing differences

As it did for total mandate program cost, the District reported 100% of the offsetting reimbursements of \$620,579 received during the audit period as a reduction to costs. The audit report indicates that \$687,828 was received or receivable. The difference is a matter of timing (the FY 2003-04 funding of \$67,249): the District recognized the funds in the subsequent year when actually received and the audit matches the funding to the relevant cost year. In other words, the last annual payment was not received during the last year of the audit period, but was nonetheless included by the audit report. Since the STAR program has terminated, the District concurs with this treatment.

##### Reimbursable percentages

The second and greater reason for the difference is that the auditor applied the allowable cost percentages determined in Finding 1 to the funding received to match reimbursable costs to related funding. The District concurs, subject to obtaining support from relevant parameters and guidelines as discussed in that Finding 1.

SCO's Comments

Our finding and recommendation are unchanged.

The district concurs with this finding, "subject to obtaining support from relevant parameters and guidelines" as requested in their response to Finding 1. We will provide the district with a copy of the relevant parameters and guidelines in effect for the audit period.

**OTHER ISSUE—  
Statute of limitations**District's Response

The district believes that the date to start the audit for FY 1997-98, 1998-99 and 1999-2000 expired on January 14, 2013, which would have been two weeks before notification of an audit initiation by SCO staff, which took place on January 30, 2013.

SCO Comments

We disagree with the district's response.

Statutes of 1995, Chapter 945 (SB 11), operative July 1, 1996: Government Code section 17558.5 states:

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

Statutes of 2002, Chapter 1128 (AB 2834), operative January 1, 2003: Government Code section 17558.5 states:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to the claimant for the program for the fiscal year for which the claim is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claims.

As of January 1, 2003, the statute of limitations to initiate an audit under the 1996 statutory provisions of Government Code section 17558.5 had not expired because no funds had been appropriated for FY 1997-98, FY 1998-99, and FY 1999-2000. Therefore, the 2003 statutory provisions apply. Under the 2003 statutory provision of Government Code section 17558.5, the SCO is required to initiate the audit by January 17, 2014, three years from the initial payment date of January 18, 2011. As noted above, the audit was initiated on January 30, 2013.

**OTHER ISSUE—  
Public records  
request**

District's Response

Pursuant to Government Code section 6253, subdivision (c):

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings.

SCO's Comment

The SCO will respond to the district's request in a separate letter.

**Attachment—  
District's Response to  
Draft Audit Report**

---



January 09, 2015

Mr. Jim L. Spano, Chief  
Mandated Costs Audits Bureau  
Division of Audits  
California State Controller  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 828, Statutes of 1997  
Standardized Testing and Reporting  
Fiscal Years: 1997-98 through 2003-04  
San Jose Unified School District

Dear Mr. Spano:

This letter is the response of the San Jose Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated December 30, 2014, that transmitted the draft audit report of the District's Standardized Testing and Reporting mandate annual reimbursement claims for the period of July 1, 1997 through June 30, 2004. The findings involve legal issues that cannot be resolved with the Controller staff and will have to be decided by the Commission on State Mandates. Therefore, the District will be filing an incorrect reduction from this audit.

**FINDING 1 - Unallowable salaries and benefits**

The District claimed \$2,397,849 in salaries and benefits. The draft audit report states that \$917,008 in salaries and benefits are unallowable. The claimed costs are reduced for two reasons: (1) unsupported and ineligible costs in the amount of \$304,386; and (2) the percentage claimed costs for tests not included in the mandate program in the amount of \$612,622. Claimed salary and benefits costs are calculated based on the staff hours spent on each mandate component multiplied by the productive hourly rate for each person or job title. If there were any adjustments to the claimed PHR's for this finding, none was indicated in the draft audit report, so the single source of the adjustments will be the claimed staff hours.

A. Unsupported and ineligible hours \$304,386 decrease

<u>Activity</u>	<u>Amount Disallowed</u>
Training, policies, and procedures	<\$302,362>
Pretest and posttest coordination	\$ 7,099

Board of Education

Sandy Engel • Teresa Castellanos • Susan Ellenberg • Pamela Foley • Paymon Zarghami

855 Lenzen Ave • San Jose, California 95126-2736 • (408) 535-6090 • Fax (408) 535-2362



Test administration	<\$ 7,851>
Reporting and recordkeeping	<\$ 1,272>
Total adjustments	<\$304,386>

The District supported claimed costs with employee activity logs of hours spent on STAR activities. The largest adjustment amounts (99%) were for disallowed staff training time. The auditor essentially eliminated as duplicate any claimed training time for each staff person by name after the first year of training reported for that staff person. A total of \$410,614 in training costs were claimed, the audit determined that \$302,362 was duplicate, with \$108,252 remaining as related to the mandate. This mandate-related amount was further reduced by the testing percentages described below in the amount of \$32,538, leaving \$75,714 as reimbursable.

The parameters and guidelines limit training reimbursement to a "one-time activity per employee per test site." Considering the number of times the relevant testing regulations were amended over this time period, the numerous annual changes to test publisher's materials, the changing variety of tests conducted, that employees move to different test sites over the years, the auditor's assumption that the testing subject matter was identical each year is without foundation. However, this is a statewide legal issue which has to be determined by the Commission on State Mandates.

The draft audit also disallowed hours claimed that were greater than or duplicate of amounts reported on the individual staff activity logs and also added some understated hours that were allowable. This represents about 1% of the disallowances. Considering that the first parameters and guidelines were adopted January 2002, five years after the mandate commenced, this immaterial difference is remarkable.

B. Reimbursable percentages \$612,622 decrease

The draft audit states that \$612,622 in salaries and benefits claimed are ineligible for reimbursement because they relate to testing programs outside the scope of the mandate. This disallowance is 26% of the total claimed salaries and benefits amount of \$2,397,849, and 67% of the total disallowed salaries and benefits of \$917,008.

The audit report states that the District claimed STAR costs for the following four tests:

- California Standards Tests (CST)
- Stanford Achievement Test Series, 9th Edition (SAT-9, or CAT/6 for FY 2002-03)
- Spanish Assessment of Basic Education, Second Edition (SABE/2)
- California Alternate Performance Assessment (CAPA)

To determine the percentage of reimbursable claimed costs the auditor obtained the District testing data from the California Department of Education (CDE) STAR website. The reimbursable percentages represent the ratio of the number of mandated tests administered divided by all STAR tests administered in the District. The audited reimbursable percentages are as follows:

- 71.29% for FY 1998-99
- 71.30% for FY 1999-00

---

Board of Education

Sandy Engel • Teresa Castellanos • Susan Ellenberg • Pamela Foley • Paymon Zarghami

855 Lenzen Ave • San Jose, California 95126-2736 • (408) 535-6090 • Fax (408) 535-2362



64.26% for FY 2000-01  
65.29% for FY 2001-02  
64.05% for FY 2002-03  
62.57% for FY 2003-04

The audit applies the reimbursable percentages to allowable costs, apparently after the \$304,386 reduction for ineligible or unsupported costs.

The audit report states that the parameters and guidelines only allow the costs of the SAT-9 (CAT/6) and SABE/2 test, and that the CST and CAPA tests are not reimbursable. The Controller has not provided a copy of the parameters and guidelines in effect for the audit period and this document is not available on the Commission or Controller's web sites. The May 29, 2009, parameters and guidelines referenced by the auditor pertain to the NRAT program effective July 1, 2004, through September 29, 2008, which replaced the STAR program parameters and guidelines adopted January 24, 2002, and amended December 9, 2005. Until the relevant parameters and guidelines are available and can be reviewed, the relevant testing programs and appropriate percentages cannot be confirmed.

#### **FINDING 2 – Unallowable materials and supplies**

The District claimed \$476,465 in materials and supplies for the audit period of which \$63,748 were determined to be unallowable as ineligible and unsupported costs.

##### **A. Test Materials, Supplies, and Equipment \$100,870 decrease**

The audit states that the District overstated these costs by \$100,870 for FY 1997-98 through FY 2003-04 because these costs were outside of the reimbursement period, duplicate costs, costs that were not related to the STAR program, or costs that were unsupported. The audit report does not indicate the amounts attributable to each of the four reasons stated.

Based on review of a schedule provided at the exit conference, the most significant adjustment amount appears to pertain to expenses stated to be "outside of the reimbursement period." The audit report asserts that Test Materials, Supplies, and Equipment were reimbursable for the period of January 2, 1998 through December 15, 1999. The audit report cites to the parameters and guidelines, Section IV B. Reimbursable Activities for this conclusion, however, there is no such statement in the May 29, 2009 parameters and guidelines. Regardless, the Controller does not properly interpret what occurred when the regulations changed on October 26, 1998, and December 16, 1999. Contrary to the Controller's conclusion, all test materials, supplies, and equipment costs were not eliminated by these changes. The July 28, 2005 (p. 33, 34), Commission Statement of Decision indicates that only the publisher's materials costs were eliminated from reimbursement:

##### **D. Are some STAR activities no longer state mandated?**

There are some activities in the STAR Statement of Decision that, although previously required, have been repealed since the original decision was adopted. These concern the



school districts' contracts with the test publisher, which is now a state function. The activities in question are bulleted (as designated in the original decision) as follows:

- Contracting with a test publisher selected by the State Board of Education using an agreement approved by the State Board of Education. (Ed. Code, § 60643, subds. (a)(2) and (c); Cal. Code Regs., tit. 5, §§ 860, 873.) This activity is limited to completing the agreement approved by the State Board of Education. Modification of the approved agreement by school districts to include any additional materials or services pursuant to Education Code section 60643, subdivision (e)(12) is not reimbursable.

The statutory requirement for school districts to contract with a test publisher was repealed by Statutes 1999, chapter 735. The regulations that were the basis for this activity were repealed December 16, 1999.

- Payment of sales tax to the publisher. (Cal. Code Regs., tit. 5, § 856.)

The regulation that required this activity was repealed December 16, 1999.

- Completion of delivery schedule and order form. (Cal. Code Regs., tit. 5, § 874.)

The regulation that required this activity was repealed October 26, 1998.

- Provision to the test publisher of enrollment and test order data by grade level. (Cal. Code Regs., tit. 5, § 874.)

The regulation that required this activity was repealed October 26, 1998.

- Administration of the standard agreement pursuant to the State Department of Education's regulations. (Cal. Code Regs., tit. 5, §§ 856, 869, subd. (b), and 871.)

The regulations that required this activity were repealed December 16, 1999.

It is unlikely that any test publisher costs were claimed after December 15, 1999, for the reimbursable tests since none would have been incurred by the District after that date when obtaining publisher materials became a state function. All of the costs eliminated by the audit as outside the reimbursement period should be reviewed again by the auditor using the appropriate criteria.

B. Reporting and Recordkeeping \$37,122 increase

The audit report states that the District did not claim allowable costs of \$37,122 for the Reporting and Recordkeeping cost component for the audit period. However, the District may have claimed some of these types of material and supplies costs in the Test Materials, Supplies, and Equipment cost component, which would be a classification issue, not a disallowance. The audit report calculated the postage, paper, and envelope costs for mailing out the test results, some of which was not claimed by the District, to which the reimbursable percentages were applied. As a result, the audit determined that \$37,122 is allowable. This District agrees with this increase.

---

Board of Education

Sandy Engel • Teresa Castellanos • Susan Ellenberg • Pamela Foley • Paymon Zarghami

855 Lenzen Ave • San Jose, California 95126-2736 • (408) 535-6090 • Fax (408) 535-2362



**FINDING 3 – Understated offsetting reimbursements \$103,556 increase**

Annual STAR apportionments from California Department of Education (CDE), pursuant to the Commission test claim decisions, properly reduce claimed reimbursable costs. The audit reduces the total funding offset by \$103,556, thus increasing the net claim costs by that amount. There are two reasons for the difference.

Timing differences

As it did for total mandate program cost, the District reported 100% of the offsetting reimbursements of \$620,579 received during the audit period as a reduction to costs. The audit report indicates that \$687,828 was received or receivable. The difference is a matter of timing (the FY 2003-04 funding of \$67,249): the District recognized the funds in the subsequent year when actually received and the audit matches the funding to the relevant cost year. In other words, the last annual payment was not received during the last year of the audit period, but was nonetheless included by the audit report. Since the STAR program has terminated, the District concurs with this treatment.

Reimbursable percentages

The second and greater reason for the difference is that the auditor applied the allowable cost percentages determined in Finding 1 to the funding received to match reimbursable costs to related funding. The District concurs, subject to obtaining support from relevant parameters and guidelines as discussed in that Finding 1.

**Statute of Limitations**

This was not an audit finding. Claims filed on or after July 1, 1996, and before January 1, 2003, have a 2-year statute of limitations, starting the January 1 after the calendar year of filing, or first payment for new programs, to start the audit. This applies to the four (FY 1997-98 through 2000-01) District claims that were filed August 6, 2002. The first three (FY 1997-98 through FY 1999-00) claims were paid on January 14, 2011, by the appropriation provided by Chapter 724, Statutes of 2010 (AB 1610). The audit commenced on January 30, 2013, measured by the phone call to notify the District that an audit was scheduled. Thus, the date to start the audit for these three annual claims expired on January 14, 2013, two weeks before the notice to the District. *Note that the Controller has said in written responses to incorrect reduction claims for other audits that the AB 1610 payments were generally made January 28, 2011, which still precedes the January 30, 2013, start-date by more than two years.*

**Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings.



San Jose Unified  
School District

Vincent Matthews, Ed.D.  
Superintendent

"Inspiring and Preparing for Success"

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,

Vincent Matthews, Ed.D., Superintendent  
San Jose Unified School District

---

Board of Education

Sandy Engel • Teresa Castellanos • Susan Ellenberg • Pamela Foley • Paymon Zarghami

855 Lenzen Ave • San Jose, California 95126-2736 • (408) 535-6090 • Fax (408) 535-2362

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

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