

FREMONT UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1999, through June 30, 2004



BETTY T. YEE
California State Controller

February 2015



BETTY T. YEE
California State Controller

February 19, 2015

Desrie Campbell, President
Board of Education
Fremont Unified School District
4210 Technology Drive
Fremont, CA 94538

Dear Ms. Campbell:

The State Controller's Office audited the costs claimed by the Fremont Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1999, through June 30, 2004.

The district claimed \$1,139,126 for the mandated program. Our audit found that \$572,654 is allowable and \$566,472 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported costs. The State paid the district \$719,366 from funds appropriated under Chapter 724, Statutes of 2010. The amount paid exceeds allowable costs claimed by \$146,712.

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/kw

cc: James Morris, Superintendent
Fremont Unified School District
Raul Parungao, Assistant Superintendent
Business Services Division
Fremont Unified School District
Robert Pascual, Director of Accounting
Business Services Division
Fremont Unified School District

Jeff Potter, Executive Director
District Advisory Services
Alameda 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

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

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Fremont Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1999, through June 30, 2004.

The district claimed \$1,139,126 for the mandated program. Our audit found that \$572,654 is allowable and \$566,472 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported costs. The State paid the district \$719,366 from funds appropriated under Chapter 724, Statutes of 2010. The amount paid exceeds allowable costs claimed by \$146,712.

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) 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 1977, 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, 1999, 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, the Fremont Unified School District claimed \$1,139,126 for costs of the Standardized Testing and Reporting Program. Our audit found that \$572,654 is allowable and \$566,472 is unallowable.

For the FY 1999-2000 through FY 2001-02 claims, the State paid the district \$719,366 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$427,498 is allowable. The State will apply \$291,868 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2002-03 through FY 2003-04 claims, the State made no payments to the district. The State will pay the district \$145,156, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on January 29, 2015. Robert Pascual, Director of Accounting, responded by email dated February 10, 2015, agreeing with the audit results.

Restricted Use

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

February 19, 2015

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 20,756	\$ 2,488	\$ (18,268)	Finding 1
Test materials, supplies, and equipment	1,451	1,011	(440)	Finding 1
Pre-test and post-test coordination	120,387	82,708	(37,679)	Finding 1
Test administration	26,481	18,457	(8,024)	Finding 1
Reporting and recordkeeping	23,457	16,350	(7,107)	Finding 1
Total salaries and benefits	<u>192,532</u>	<u>121,014</u>	<u>(71,518)</u>	
Materials and supplies:				
Training, policies, and procedures	72	72	—	
Test materials, supplies, and equipment	124,543	124,543	—	
Reporting and recordkeeping	124,543	7,197	(117,346)	Finding 2
Total materials and supplies	<u>249,158</u>	<u>131,812</u>	<u>(117,346)</u>	
Total direct costs	441,690	252,826	(188,864)	
Indirect costs	<u>14,090</u>	<u>8,065</u>	<u>(6,025)</u>	Finding 1, 2
Total direct and indirect costs	455,780	260,891	(194,889)	
Less offsetting reimbursements	<u>(53,355)</u>	<u>(37,188)</u>	<u>16,167</u>	Finding 4
Total program costs	<u>\$ 402,425</u>	223,703	<u>\$ (178,722)</u>	
Less amount paid by the State ²		<u>(402,425)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (178,722)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 50,402	\$ 1,771	\$ (48,631)	Finding 1
Pre-test and post-test coordination	208,247	101,343	(106,904)	Finding 1
Test administration	47,601	29,732	(17,869)	Finding 1
Reporting and recordkeeping	49,755	30,787	(18,968)	Finding 1
Total salaries and benefits	<u>356,005</u>	<u>163,633</u>	<u>(192,372)</u>	
Materials and supplies:				
Training, policies, and procedures	151	151	—	
Reporting and recordkeeping	452	6,956	6,504	Finding 2
Total materials and supplies	<u>603</u>	<u>7,107</u>	<u>6,504</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
Total direct costs	356,608	170,740	(185,868)	
Indirect costs	14,336	6,864	(7,472)	Finding 1, 2
Total direct and indirect costs	370,944	177,604	(193,340)	
Less offsetting reimbursements	(58,894)	(36,968)	21,926	Finding 4
Total program costs	<u>\$ 312,050</u>	140,636	<u>\$ (171,414)</u>	
Less amount paid by the State ²		(312,050)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (171,414)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 9,483	\$ 588	\$ (8,895)	Finding 1
Pre-test and post-test coordination	108,149	68,631	(39,518)	Finding 1
Test administration	11,333	7,192	(4,141)	Finding 1
Reporting and recordkeeping	18,249	11,581	(6,668)	Finding 1
Total salaries and benefits	147,214	87,992	(59,222)	
Materials and supplies:				
Training, policies, and procedures	65	65	—	
Test administration	268	268	—	
Reporting and recordkeeping	14,368	9,119	(5,249)	Finding 2
Total materials and supplies	14,701	9,452	(5,249)	
Total direct costs	161,915	97,444	(64,471)	
Indirect costs	5,716	3,440	(2,276)	Finding 1, 2
Total direct and indirect costs	167,631	100,884	(66,747)	
Less offsetting reimbursements	(59,447)	(37,725)	21,722	Finding 4
Total program costs	<u>\$ 108,184</u>	63,159	<u>\$ (45,025)</u>	
Less amount paid by the State ²		(4,891)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 58,268</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Pre-test and post-test coordination	\$ 140,361	\$ 85,750	\$ (54,611)	Finding 1
Test administration	13,990	8,618	(5,372)	Finding 1
Reporting and recordkeeping	14,741	9,080	(5,661)	Finding 1
Total salaries and benefits	169,092	103,448	(65,644)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Materials and supplies:				
Training, policies, and procedures	3,582	1,177	(2,405)	Finding 2
Pre-test and post-test coordination	67	67	—	
Reporting and recordkeeping	32,677	20,128	(12,549)	Finding 2
Total materials and supplies	<u>36,326</u>	<u>21,372</u>	<u>(14,954)</u>	
Total direct costs	205,418	124,820	(80,598)	
Indirect costs	<u>7,389</u>	<u>5,455</u>	<u>(1,934)</u>	Finding 1, 3
Total direct and indirect costs	212,807	130,275	(82,532)	
Less offsetting reimbursements	<u>—</u>	<u>(37,350)</u>	<u>(37,350)</u>	Finding 4
Total program costs	<u>\$ 212,807</u>	92,925	<u>\$ (119,882)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 92,925</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 120	\$ 73	\$ (47)	Finding 1
Pre-test and post-test coordination	116,374	64,728	(51,646)	Finding 1
Test administration	15,367	9,292	(6,075)	Finding 1
Reporting and recordkeeping	12,660	4,062	(8,598)	Finding 1
Total salaries and benefits	<u>144,521</u>	<u>78,155</u>	<u>(66,366)</u>	
Materials and supplies:				
Reporting and recordkeeping	<u>13,533</u>	<u>7,093</u>	<u>(6,440)</u>	Finding 2
Total materials and supplies	<u>13,533</u>	<u>7,093</u>	<u>(6,440)</u>	
Total direct costs	158,054	85,248	(72,806)	
Indirect costs	<u>8,382</u>	<u>4,944</u>	<u>(3,438)</u>	Finding 1, 3
Total direct and indirect costs	166,436	90,192	(76,244)	
Less offsetting reimbursements	<u>(62,776)</u>	<u>(37,961)</u>	<u>24,815</u>	Finding 4
Total program costs	<u>\$ 103,660</u>	52,231	<u>\$ (51,429)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 52,231</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 1999, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 80,761	\$ 4,920	\$ (75,841)	
Test materials, supplies, and equipment	1,451	1,011	(440)	
Pre-test and post-test coordination	693,518	403,160	(290,358)	
Test administration	114,772	73,291	(41,481)	
Reporting and recordkeeping	118,862	71,860	(47,002)	
Total salaries and benefits	<u>1,009,364</u>	<u>554,242</u>	<u>(455,122)</u>	
Materials and supplies:				
Training, policies, and procedures	3,870	1,465	(2,405)	
Test materials, supplies, and equipment	124,543	124,543	—	
Pre-test and post-test coordination	67	67	—	
Test administration	268	268	—	
Reporting and recordkeeping	185,573	50,493	(135,080)	
Total materials and supplies	<u>314,321</u>	<u>176,836</u>	<u>(137,485)</u>	
Total direct costs	1,323,685	731,078	(592,607)	
Indirect costs	49,913	28,768	(21,145)	
Total direct and indirect costs	1,373,598	759,846	(613,752)	
Less offsetting reimbursements	<u>(234,472)</u>	<u>(187,192)</u>	<u>47,280</u>	
Total program costs	<u>\$ 1,139,126</u>	572,654	<u>\$ (566,472)</u>	
Less amount paid by the State		<u>(719,366)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (146,712)</u>		

¹ See the Findings and Recommendations section.

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

Findings and Recommendations

FINDING 1— Overstated salaries and benefits

The district claimed \$1,009,364 in salaries and benefits for the audit period. We found that \$554,242 is allowable and \$455,122 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported costs. In addition, related indirect costs of \$18,823 also are unallowable.

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

	Fiscal Year					Total
	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:						
Training, policies, and procedures	\$ (18,268)	\$ (48,631)	\$ (8,895)	\$ -	\$ (47)	\$ (75,841)
Test materials, supplies, and equipment	(440)	-	-	-	-	(440)
Pre-test and post-test coordination	(37,679)	(106,904)	(39,518)	(54,611)	(51,646)	(290,358)
Test administration	(8,024)	(17,869)	(4,141)	(5,372)	(6,075)	(41,481)
Reporting and recordkeeping	(7,107)	(18,968)	(6,668)	(5,661)	(8,598)	(47,002)
Total salaries and benefits	(71,518)	(192,372)	(59,222)	(65,644)	(66,366)	(455,122)
Related indirect costs	(2,282)	(7,733)	(2,091)	(2,868)	(3,849)	(18,823)
Audit adjustment	\$ (73,800)	\$ (200,105)	\$ (61,313)	\$ (68,512)	\$ (70,215)	\$ (473,945)

Unsupported and Ineligible Costs

For each fiscal year in the audit period, the district provided Activity Logs to support the hours claimed. The Activity Logs identify the hours claimed for each employee by reimbursable activity and component. We reconciled the hours reported on the activity logs to the claimed hours. We accepted all hours supported with corroborating documentation that met the reimbursable requirements of the mandated program. Review of supporting documentation revealed that the district claimed unsupported and ineligible costs totaling \$139,214, including ineligible training hours that exceeded the one-time per employee requirement identified in the program's parameters and guidelines.

The following table summarizes the unsupported and ineligible salaries and benefits by fiscal year and reimbursable activity:

	Fiscal Year					Total
	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:						
Training, policies, and procedures	\$ (17,186)	\$ (47,580)	\$ (8,556)	\$ -	\$ -	\$ (73,322)
Pre-test and post-test coordination	(1,724)	(46,796)	-	(1,156)	(9,333)	(59,009)
Test administration	-	(234)	-	-	-	(234)
Reporting and recordkeeping	-	(707)	-	-	(5,942)	(6,649)
Total audit adjustment	\$ (18,910)	\$ (95,317)	\$ (8,556)	\$ (1,156)	\$ (15,275)	\$ (139,214)

For the Training, Policies, and Procedures cost component, the district claimed ineligible training hours totaling \$73,322, exceeding the one-time training per employee requirement. In addition, for the Pre-test and Post-Test Coordination cost component, the district misclassified training costs and claimed ineligible training hours for FY 2002-03 totaling \$1,156, that also exceed the one-time training per employee requirement. The parameters and guidelines, (section IV.A., Reimbursable Activities – Training Policies and Procedures) state:

Reviewing the requirements 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).

For the Pre-test and Post-test Coordination cost component, Test Administration cost component, and the Reporting and Recordkeeping cost component, the district reported unsupported costs totaling \$64,736. The parameters and guidelines, (Section VI.A, Supporting Data – Source Documents) 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 be 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...

Reimbursable Percentage

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

The district's STAR costs included the following tests: California Standards Test (CST); California Alternate Performance Assessment (CAPA); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); and the Spanish Assessment of Basic Education, Second Edition (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 accounted for the costs of the STAR tests collectively, without separately identifying 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 relate to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represent the ratio of mandated tests divided by all STAR tests administered in the district. We applied the reimbursable

percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 69.70% for FY 1999-2000; 62.77% for FY 2000-01; 63.46% for FY 2001-02; 61.60% for FY 2002-03; and 60.47% for FY 2003-04.

The following summarizes unallowable salaries and benefits related to the non-reimbursable portion of the STAR tests by fiscal year and reimbursable component:

	Fiscal Year					Total
	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:						
Training, policies, and procedures	\$ (1,082)	\$ (1,051)	\$ (339)	\$ -	\$ (47)	\$ (2,519)
Test materials, supplies, and equipment	(440)	-	-	-	-	(440)
Pre-test and post-test coordination	(35,955)	(60,108)	(39,518)	(53,455)	(42,313)	(231,349)
Test administration	(8,024)	(17,635)	(4,141)	(5,372)	(6,075)	(41,247)
Reporting and recordkeeping	(7,107)	(18,261)	(6,668)	(5,661)	(2,656)	(40,353)
Audit adjustment	<u>\$ (52,608)</u>	<u>\$ (97,055)</u>	<u>\$ (50,666)</u>	<u>\$ (64,488)</u>	<u>\$ (51,091)</u>	<u>\$ (315,908)</u>

Recommendation

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

FINDING 2— Overstated materials and supplies

The district claimed \$314,321 in materials and supplies for the audit period. We found that \$176,836 is allowable and \$137,485 is unallowable. The costs are unallowable because the district double-claimed costs, under-claimed costs, and claimed ineligible and unsupported costs. In addition, related indirect costs of \$3,667 are also unallowable.

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

	Fiscal Year					Total
	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:						
Training, policies, and procedures						
Ineligible costs	\$ -	\$ -	\$ -	\$ (2,405)	\$ -	\$ (2,405)
	-	-	-	(2,405)	-	(2,405)
Reporting and recordkeeping						
Double-claimed costs	(124,543)					(124,543)
Unclaimed mailing costs	7,197	6,672	-	-	7,093	20,962
Ineligible costs	-	(168)	(5,249)	(12,549)	-	(17,966)
Unsupported costs	-	-	-	-	(13,533)	(13,533)
	<u>(117,346)</u>	<u>6,504</u>	<u>(5,249)</u>	<u>(12,549)</u>	<u>(6,440)</u>	<u>(135,080)</u>
Total materials and supplies	(117,346)	6,504	(5,249)	(14,954)	(6,440)	(137,485)
Related indirect costs	(3,743)	261	(185)	-	-	(3,667)
Audit adjustment	<u>\$ (121,089)</u>	<u>\$ 6,765</u>	<u>\$ (5,434)</u>	<u>\$ (14,954)</u>	<u>\$ (6,440)</u>	<u>\$ (141,152)</u>

Double-claimed Costs

For FY 1999-2000, the district double-claimed materials and supplies by \$124,543. The district claimed reimbursement for SAT-9 program materials of \$124,543 in the Test Materials, Supplies, and Equipment cost component and in the Reporting and Recordkeeping cost component. We allowed the costs claimed in the Test Materials, Supplies, and Equipment cost component and not in the Reporting and Recordkeeping cost component.

Unclaimed Mailing Costs

For FY 1999-2000, FY 2000-01, and FY 2003-04, the district did not claim mailing costs for the Reporting and Recordkeeping cost component. The parameters and guidelines 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.

To determine the cost the district incurred to report all STAR tests results, we determined the cost to prepare a single report (which included the cost of postage, paper, and envelopes) and multiplied the total by the number of students tested in the district for each fiscal year. However, as identified in Finding 1, the CST and CAPA test are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we multiplied the costs to report all the STAR tests by the reimbursable ratio of mandated test to the number of all STAR tests administered. We found that the district under-claimed mailing costs by \$20,962.

Ineligible Costs

For FY 2000-01 through FY 2002-03, the district claimed ineligible materials and supplies. The district claimed reimbursement for 100% of the costs for postage, photocopying, pencils, and folders. However, as previously noted, the CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we multiplied these costs by the reimbursable ratio of mandated tests to the number of all STAR tests administered and found that \$18,361 is unallowable.

In addition, for FY 1999-2000, the district claimed \$2,010 for making photocopies of a CST test. As the CST test is not reimbursable, the costs claimed are unallowable.

Unsupported Costs

For FY 2003-04, the district did not provide any documentation supporting \$13,533 in costs claimed for the Reporting and Recordkeeping cost component. Form STR-2 of the mandated cost claim form shows that the district claimed \$13,294 for test results and \$239 for test slips. The parameters and guidelines 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 are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declaration, and data relevant to the reimbursable activities...

Recommendation

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

FINDING 3— Unclaimed indirect costs for materials and supplies

The district did not claim indirect costs for materials and supplies, resulting in an understatement of \$1,345. We calculated allowable indirect costs by multiplying allowable materials and supplies by the indirect cost rates claimed by the district. The indirect cost rates claimed by the district agreed to the rates approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to direct cost (e.g., salaries and benefits, materials and supplies, and contract services). The error occurred because the district followed the claiming instructions which inadvertently instructed the claimant to apply the indirect cost rate to only salaries and benefits. The claiming instructions have since been corrected.

The following table summarizes the calculation of unclaimed indirect costs on materials and supplies for the audit period:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2002-03</u>	<u>2003-04</u>	
Allowable materials and supplies	\$ 21,372	\$ 7,093	
Indirect cost rate	<u>4.37%</u>	<u>5.80%</u>	
Audit adjustment	<u>\$ 934</u>	<u>\$ 411</u>	<u>\$ 1,345</u>

Recommendation

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

**FINDING 4—
Overstated offsetting
reimbursements**

The district overstated the mandate portion of the STAR apportionment by \$47,280 for the audit period because it offset the entire STAR apportionment instead of just the mandate portion.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the audit period, we found that the district received \$295,105 from the CDE.

We calculated the overstated reimbursement by:

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

The following table summarizes the overstated offsetting reimbursements for the audit period:

	Fiscal Year					Total
	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursement apportionment:						
CDE apportionment	\$ (53,355)	\$ (58,894)	\$ (59,447)	\$ (60,633)	\$ (62,776)	\$ (295,105)
Mandate-related percentage	<u>69.70%</u>	<u>62.77%</u>	<u>63.46%</u>	<u>61.60%</u>	<u>60.47%</u>	
Mandated-related apportionment	(37,188)	(36,968)	(37,725)	(37,350)	(37,961)	(187,192)
Less offset CDE apportionment	<u>53,355</u>	<u>58,894</u>	<u>59,447</u>	<u>-</u>	<u>62,776</u>	<u>234,472</u>
Audit adjustment	<u>\$ 16,167</u>	<u>\$ 21,926</u>	<u>\$ 21,722</u>	<u>\$ (37,350)</u>	<u>\$ 24,815</u>	<u>\$ 47,280</u>

The parameters and guidelines (section VII. Offsetting Savings and Reimbursements) 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 mandated received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from this claim.

Recommendation

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

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

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