

LOS ANGELES UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

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

July 1, 2002, through June 30, 2008



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 30, 2011

Mónica Garcia, President
Board of Education
Los Angeles Unified School District
333 S. Beaudry Avenue
Los Angeles, CA 90017

Dear Ms. Garcia:

The State Controller's Office audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). 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 CSM's Web site at www.csm.ca.gov/docs/IRCFORM.pdf.

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/wm

cc: Ramon C. Cortines, Superintendent
Los Angeles Unified School District
Timothy S. Rosnick, Controller
Los Angeles Unified School District
Debra Duardo, Director of Pupil Services
Los Angeles Unified School District
Maruch Atienza, Director of Accounting
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Cynthia Lim, Executive Director
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

Background

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

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

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

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

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and 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 Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

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 Los Angeles Unified School District claimed \$2,677,458 for costs of the Notification of Truancy Program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$538,111. Our audit disclosed that the claimed costs are unallowable. The State will offset \$538,111 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$854,829. Our audit disclosed that \$6,967 is allowable. The State will offset \$847,862 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$95,433. Our audit disclosed that \$45,153 is allowable. The State will offset \$50,280 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$142,051 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$37,353. Our audit disclosed that \$309,224 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$271,871, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$15. Our audit disclosed that \$393,639 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$393,624, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on February 18, 2011. Timothy S. Rosnick, Controller, responded by letter dated March 25, 2011 (Attachment). The district did not directly respond to the factual accuracy of the audit findings. This final audit report includes the district's response.

Restricted Use

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

March 30, 2011

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	40,766	—	(40,766)	Finding 1
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total program costs ²	<u>\$ 538,111</u>	—	<u>\$ (538,111)</u>	
Less amount paid by the state		(538,111)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (538,111)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	62,579	510	(62,069)	Finding 1
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs ²	<u>\$ 854,829</u>	6,967	<u>\$ (847,862)</u>	
Less amount paid by the state		(854,829)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (847,862)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	6,683	3,162	(3,521)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs ²	<u>\$ 95,433</u>	45,153	<u>\$ (50,280)</u>	
Less amount paid by the state		(95,433)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (50,280)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	13,458	9,141	(4,317)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs ²	<u>\$ 209,137</u>	142,051	<u>\$ (67,086)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 142,051</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	25,783	19,147	(6,636)	Findings 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 416,395</u>	309,224	<u>\$ (107,171)</u>	
Less amount paid by the state		(37,353)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,871</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	32,613	22,780	(9,833)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 563,553</u>	393,639	<u>\$ (169,914)</u>	
Less amount paid by the state		(15)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 393,624</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 2,677,458</u>	\$ 897,034	<u>\$ (1,780,424)</u>	
Less amount paid by the state		(1,525,741)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (628,707)</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Unsupported and non-mandate-related initial truancy notifications claimed

The district claimed unallowable costs totaling \$1,569,673. The costs are unallowable because the district claimed unsupported and non-mandate-related initial truancy notifications.

For operating purposes, the district segregates itself into eight local districts. Each local district has specific schools that report to it. During the audit period, the individual schools were responsible for distributing initial truancy notifications. The schools provided copies of the notifications to the local districts. The local districts summarized the notifications on monthly truancy logs and submitted those logs to the district. For fiscal year (FY) 2002-03 through FY 2005-06, the district stated that it filed its mandated cost claims based on the monthly truancy logs that the local districts provided. For FY 2006-07 and FY 2007-08, local districts submitted copies of the notifications to the district. The district created separate spreadsheets to summarize the notifications that local districts submitted. The district stated that it filed its FY 2006-07 and FY 2007-08 mandated cost claims based on the initial truancy notification copies it received.

During our audit, the district provided truancy data from its Integrated Student Information System for the audit period. However, district personnel stated that they could not provide assurance that the district actually issued initial truancy notifications for all students identified on the Integrated Student Information System. The number of students identified in the Integrated Student Information System did not agree with the number of initial truancy notifications claimed for any fiscal year within the audit period. In addition, the district provided the FY 2006-07 and FY 2007-08 summary spreadsheets that it created based on the copies of notifications that local districts submitted. However, for a significant number of students, the FY 2006-07 and FY 2007-08 spreadsheets did not contain sufficient information to identify the student for whom the district issued an initial truancy notification.

As a result, the district provided hardcopy documents that it represented as initial truancy notifications distributed. We organized the documents provided by fiscal year and grade level. For every fiscal year, the number of documents provided differed from the number of initial truancy notifications claimed. In addition, both the number of documents provided and the number of initial truancy notifications claimed differed from the number of initial truancy notifications that the district reported to the California Department of Education (CDE) for FY 2004-05 through FY 2007-08 (CDE information is not available for FY 2002-03 and FY 2003-04).

We previously reported the issue of unsupported initial truancy notifications for FY 1998-99 through FY 2000-01 in our audits published December 13, 2002. The district filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) in response to those audits. The CSM has not yet adjudicated the district's IRC.

From those documents that the district provided, we identified unallowable costs for the following reasons:

- The district provided multiple initial truancy notifications that it distributed for the same students during a school year. Only the first notification is eligible for mandated program reimbursement.
- The district provided miscellaneous letters that were unrelated to initial truancy notifications.
- The district provided initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district provided initial truancy notifications that did not contain sufficient information to identify the applicable students so that we could validate the notifications to the district's attendance records. Missing information included the letter date and the student's school and grade.
- The district provided "conference letters" that were unrelated to the initial truancy notifications. The district sent these letters to schedule in-person conferences between district representatives and the students' parents or legal guardians. These letters did not contain the information required for initial truancy notifications.
- The district provided habitual truancy letters that are unrelated to the initial truancy notification.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of letters provided	—	750	9,128	16,001	25,393	32,474	
Number of initial truancy notifications claimed	(40,766)	(62,579)	(6,683)	(13,458)	(25,783)	(32,613)	
Understated/(overstated) number of initial truancy notifications	(40,766)	(61,829)	2,445	2,543	(390)	(139)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ (538,111)	\$ (844,584)	\$ 34,915	\$ 39,518	\$ (6,299)	\$ (2,402)	\$(1,316,963)
Multiple initial truancy notifications issued for the same student	—	(167)	(1,013)	(1,932)	(2,432)	(1,323)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (2,281)	\$ (14,466)	\$ (30,023)	\$ (39,276)	\$ (22,862)	(108,908)
Miscellaneous letters unrelated to the initial truancy notification	—	(5)	(2,956)	(109)	(122)	(4)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (68)	\$ (42,212)	\$ (1,694)	\$ (1,970)	\$ (69)	(46,013)
Initial truancy notifications distributed for charter school students	—	—	—	(969)	(590)	(811)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ —	\$ —	\$ (15,058)	\$ (9,529)	\$ (14,015)	(38,602)

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Initial truancy notifications with insufficient information to identify student	—	—	(412)	(1,065)	(415)	(444)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ —	\$ (5,883)	\$ (16,550)	\$ (6,702)	\$ (7,672)	(36,807)
Conference letters	—	(18)	(521)	(155)	(177)	(87)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (246)	\$ (7,440)	\$ (2,409)	\$ (2,859)	\$ (1,503)	(14,457)
Habitual truancy letters	—	(50)	(342)	(105)	(32)	(12)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (683)	\$ (4,884)	\$ (1,632)	\$ (517)	\$ (207)	(7,923)
Audit adjustment	\$ (538,111)	\$ (847,862)	\$ (39,970)	\$ (27,848)	\$ (67,152)	\$ (48,730)	\$(1,569,673)

¹ Calculation differences due to rounding.

The parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government Code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those letters that it distributes for charter school students and multiple letters that it distributes for the same student during the school year.

District’s Response

The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement that what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District’s position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.

The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. . . . We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

SCO's Comment

Our finding and recommendation are unchanged. The district states that its "position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent." The district's response contradicts the claiming process that district personnel previously confirmed for FY 2002-03 through FY 2005-06. District personnel stated that during those fiscal years, the district filed its mandated cost claims based on monthly truancy logs prepared by the district's eight local districts.

The district acknowledges that the number of notifications claimed was less than the number of truant students that it reported to the CDE. The district states that fact is not an indication that the notifications were not sent out. However, the district did not provide any documentation to confirm that the notifications *were* sent out.

The district objects to the statutory period for audit as it applies to FY 2002-03 and FY 2003-04. Government Code section 17558.5, subdivision (a), 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 date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim [emphasis added].

For FY 2002-03 and FY 2003-04, the district did not receive a payment until September 12, 2006. We initiated the audit by first contacting the district on June 29, 2009. For FY 2002-03 and FY 2003-04, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

Therefore, the audit was initiated within the statutory period for audit and the district was required to maintain and produce records in accordance with the parameters and guidelines.

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

The district claimed non-reimbursable initial truancy notifications totaling \$210,751. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2004-05 through FY 2007-08, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district used either daily attendance accounting or period attendance accounting, depending on the student’s grade level. Therefore, we stratified each fiscal year’s population into two groups.

The district’s attendance records show that the district claimed initial truancy notifications that are non-reimbursable for the following reasons:

- For FY 2004-05 and FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2004-05 and FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2006-07 and FY 2007-08, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year. In many cases, individual schools were unable to locate students’ attendance records or had discarded records in accordance with the school’s record retention policies.

The following table summarizes the non-reimbursable initial truancy notifications that our statistical samples identified:

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	(2)	(5)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(10)	(6)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(10)	(3)
Fewer than three total	<u>(49)</u>	<u>(31)</u>	<u>(36)</u>	<u>(34)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(61)</u>	<u>(42)</u>	<u>(46)</u>	<u>(37)</u>
Period attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	—	(3)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(4)	(5)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(4)	(4)
Fewer than three total	<u>(3)</u>	<u>(19)</u>	<u>(5)</u>	<u>(30)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>	<u>(27)</u>	<u>(9)</u>	<u>(34)</u>

The following table summarizes the audit adjustment based on the non-reimbursable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(61)	(42)	(46)	(37)	
Statistical sample size	÷ 135	÷ 144	÷ 145	÷ 148	
Unallowable percentage	(45.19)%	(29.17)%	(31.72)%	(25.00)%	
Population sampled	× 1,316	× 3,542	× 4,561	× 9,831	
Extrapolated number of unallowable initial truancy notifications	(595)	(1,033)	(1,447)	(2,458)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, daily attendance accounting ¹	\$ (8,497)	\$ (16,053)	\$ (23,369)	\$ (42,474)	\$ (90,393)
Period attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(7)	(27)	(9)	(34)	
Statistical sample size	÷ 142	÷ 147	÷ 149	÷ 149	
Unallowable percentage	(4.93)%	(18.37)%	(6.04)%	(22.82)%	
Population sampled	× 2,568	× 8,124	× 17,064	× 19,962	
Extrapolated number of unallowable initial truancy notifications	(127)	(1,492)	(1,031)	(4,555)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, period attendance accounting ¹	\$ (1,813)	\$ (23,185)	\$ (16,650)	\$ (78,710)	\$ (120,358)
Audit adjustment	\$ (10,310)	\$ (39,238)	\$ (40,019)	\$ (121,184)	\$ (210,751)

¹ Calculation differences due to rounding.

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

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

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

For FY 2004-05 and FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The CSM did not amend the parameters and guidelines until July 1, 2006; therefore, an initial truancy notification is reimbursable for FY 2004-05 and FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Therefore, an initial truancy notification is reimbursable for FY 2006-07 and FY 2007-08 when a student has accumulated three or more unexcused absences of tardiness occurrences while between ages 6 and 18.

For FY 2002-03 through FY 2005-06, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .

For FY 2006-07 forward, the parameters and guidelines state:

All documents used to support the reimbursable activities. . . must be retained during the period subject to audit.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines. We also recommend that the district retain all documentation that supports the reimbursable activities during the period that the district's claims are subject to audit.

District's Response

The district's response does not address the factual accuracy of the non-reimbursable initial truancy notifications identified.

SCO's Comment

Our finding and recommendation remain unchanged.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Accounting and Disbursements Division

RAMON C. CORTINES
Superintendent of Schools

MICHELLE KING
Deputy Superintendent, School Operations



MEGAN K. REILLY
Chief Financial Officer

TIMOTHY S. ROSNICK
Controller

March 25, 2011

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

We received a copy of your draft audit report on the Notification of Truancy (NOT) Program for the period covering July 1, 2002 to June 30, 2008. Below are the District's responses:

- The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement than what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District's position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.
- The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. This resulted in the disallowance of \$1.4 million, which is 80% of the total amount disallowed in the audit. We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

We would also like to inform your office that starting in fiscal year 2010-11, the District has centralized and automated the process of generating and sending out the NOT letters. This new process will address all the findings identified in this audit.

Per your request, attached is the management representation letter. We would like to thank you and your staff for working with District staff during the audit process.

J. Spano
March 25, 2011
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If you have any questions, please call me at (213) 241-7989 or Maruch Atienza at (213) 241-7982.

Sincerely,



Timothy S. Rosnick
Controller

c: Ramon C. Cortines
Cynthia Lim

Megan K. Reilly
Luis Buendia

Debra Duardo
Maruch Atienza

**State Controller's Office
Division of Audits
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