

SAN DIEGO UNIFIED SCHOOL DISTRICT

Revised Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 1996, through June 30, 1998



JOHN CHIANG
California State Controller

April 2012



JOHN CHIANG
California State Controller

April 27, 2012

John Lee Evans, President
Board of Education
San Diego Unified School District
4100 Normal Street, Room 2231
San Diego, CA 92103

Dear Mr. Evans:

The State Controller's Office (SCO) audited the costs claimed by the San Diego Unified School District for the legislatively mandated Emergency Procedures, Earthquake and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 1996, through June 30, 1998.

This revised final report supersedes our previous final audit report dated December 22, 2000. We reconsidered the finding in light of the statement of decision that the Commission on State Mandates (CSM) adopted on July 28, 2011. The CSM adopted its statement of decision in response to an Incorrect Reduction Claim (IRC) that the district filed.

In the previous final audit report, we did not allow the district's claimed costs. In its statement of decision, the CSM upheld the unallowable costs that the SCO's Division of Accounting and Reporting identified in its desk review completed August 16, 1999. However, the CSM concluded that the SCO incorrectly reduced the remaining claimed costs to \$0 based on inadequate documentation. The CSM concluded that the SCO's action was "arbitrary and not based on the very general language in the parameters and guidelines." The CSM remanded the district's claims back to the SCO and requested that the SCO reimburse the district in accordance with the CSM's analysis.

In compliance with the statement of decision, we reconsidered the finding to allow mandate-related costs documented by the district's "data collection sheets."

The district claimed \$1,201,436 for the mandated program. The SCO's Division of Accounting and Reporting reduced that amount to \$1,024,697 because it identified unallowable activities claimed. Of the remaining claimed amount, our revised audit disclosed that \$722,635 is unallowable because the district claimed unsupported costs.

The State made no payment to the district. The State will pay allowable costs claimed, totaling \$302,062, contingent upon available appropriations.

If you disagree with the revised audit finding, you may file an IRC with the 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 website 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/vb

cc: Bill Kowba, Superintendent
San Diego Unified School District
Andra Donovan, Deputy General Counsel
Legal Services Office
San Diego Unified School District
David Hogue
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San Diego Unified School District
Randolph E. Ward, Ed.D, Superintendent of Schools
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Diego Unified School District for the legislatively mandated Emergency Procedures, Earthquake and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 1996, through June 30, 1998.

This revised final report supersedes our previous final audit report dated December 22, 2000. We reconsidered the finding in light of the statement of decision that the Commission on State Mandates (CSM) adopted on July 28, 2011. The CSM adopted its statement of decision in response to an Incorrect Reduction Claim that the district filed.

In the previous final audit report, we did not allow the district's claimed costs. In its statement of decision, the CSM upheld the unallowable costs that the SCO—Division of Accounting and Reporting identified in its desk review completed August 16, 1999. However, the CSM concluded that the SCO incorrectly reduced the remaining claimed costs to \$0 based on inadequate documentation. The CSM concluded that the SCO's action was "arbitrary and not based on the very general language in the parameters and guidelines." The CSM remanded the district's claims back to the SCO and requested that the SCO reimburse the district in accordance with the CSM's analysis.

In compliance with the statement of decision, we reconsidered the finding to allow mandate-related costs documented by the district's "data collection sheets."

The district claimed \$1,201,436 for the mandated program. The SCO—Division of Accounting and Reporting reduced that amount to \$1,024,697 because it identified unallowable activities claimed. Of the remaining claimed amount, our revised audit disclosed that \$722,635 is unallowable because the district claimed unsupported costs.

The State made no payment to the district. The State will pay allowable costs claimed, totaling \$302,062, contingent upon available appropriations.

Background

Chapter 1659, Statutes of 1984, added and amended Education Code sections 35295, 35296, 35297, 40041.5, and 40042. The law required each school district and county superintendent of schools to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the law required that school districts allow public agencies to use school buildings, grounds, and equipment for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the CSM determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on March 23, 1989, and amended them on February 28, 1991. 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 Emergency Procedures, Earthquake and Disasters Program for the period of July 1, 1996, through June 30, 1998.

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 Finding and Recommendation section of this report.

For the audit period, the San Diego Unified School District claimed \$1,201,436 for costs of the Emergency Procedures, Earthquake and Disasters Program. Our revised audit disclosed that \$302,062 is allowable and \$899,374 is unallowable. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$302,062, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on September 15, 2000. Richard J. Knott, Controller, San Diego Unified School District, responded by letter dated October 5, 2000, disagreeing with the audit results. We issued a final audit report on December 22, 2000.

Subsequently, we reconsidered the finding in light of the CSM's statement of decision issued on July 28, 2011. Our revised audit identified allowable costs totaling \$302,062. We notified David Hogue, Mandated Costs Unit, Finance Division, of the revised audit results on February 23, 2012. Mr. Hogue responded by e-mail on March 15, 2012, stating that the district had nothing to add to our revised audit results at this time.

Restricted Use

This revised report is solely for the information and use of the San Diego Unified School District, the San Diego 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

April 27, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 1996, through June 30, 1998**

<u>Cost Elements</u>	<u>Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustment ¹</u>
<u>July 1, 1996, through June 30, 1997</u>			
Salaries and benefits	\$ 563,463	\$ 132,933	\$ (430,530)
Indirect costs	<u>25,356</u>	<u>5,384</u>	<u>(19,972)</u>
Total program costs	<u>\$ 588,819</u>	138,317	<u>\$ (450,502)</u>
Less amount paid by the state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 138,317</u>	
<u>July 1, 1997, through June 30, 1998</u>			
Salaries and benefits	\$ 587,079	\$ 156,919	\$ (430,160)
Indirect costs	<u>25,538</u>	<u>6,826</u>	<u>(18,712)</u>
Total program costs	<u>\$ 612,617</u>	163,745	<u>\$ (448,872)</u>
Less amount paid by the state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 163,745</u>	
<u>Summary: July 1, 1996, through June 30, 1998</u>			
Salaries and benefits	\$ 1,150,542	\$ 289,852	\$ (860,690)
Indirect costs	<u>50,894</u>	<u>12,210</u>	<u>(38,684)</u>
Total program costs	<u>\$ 1,201,436</u>	302,062	<u>\$ (899,374)</u>
Less amount paid by the state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 302,062</u>	

¹ See the Revised Finding and Recommendation section.

Revised Finding and Recommendation

**FINDING—
Unallowable salaries,
benefits, and related
indirect costs**

The district claimed unallowable and unsupported salaries and benefits totaling \$860,690. The related indirect costs total \$38,684.

Unallowable Costs

On August 16, 1999, the State Controller's Office (SCO)—Division of Accounting and Reporting (DAR) reduced the district's fiscal year (FY) 1996-97 claimed costs by \$174,957 because DAR identified non-mandate-related activities claimed. The district claimed salaries and benefits totaling \$167,423 for "teacher in-class instruction." The related indirect costs total \$7,534. The program's parameters and guidelines specify that this activity is unallowable.

Of the remaining costs claimed for FY 1996-97, DAR identified additional unallowable indirect costs totaling \$1,782. The costs are unallowable because the district claimed indirect costs based on an erroneous indirect cost rate. The district claimed costs based on a rate of 4.5%; however, the district's records support an indirect cost rate of 4.05%.

Unsupported Costs

Excluding the "teacher in-class instruction" identified above, the district claimed salaries and benefits totaling \$983,119 for the audit period (hereafter referred to as mandate-related costs). Of this amount, \$693,267 is unallowable because the costs are unsupported. The unallowable indirect costs total \$29,368.

The district claimed mandate-related costs based on its number of authorized positions, adjusted for excess or vacant positions, multiplied by a fixed number of hours for specified employee classifications. The following table identifies the number of hours that the district claimed for each employee in the applicable employee classification:

<u>Employee Classification</u>	<u>Mandate-Related Hours Claimed</u>	
	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>1996-97</u>	<u>1997-98</u>
Teacher	2	2
Principal / Vice Principal	1	2
Librarians	1	1
Counselors	1	1
Nurses	1	1
Instructional Aides	1	1
Clerk / Secretaries	1	1
Maintenance	1	1
School Police	1	1

The district provided data collection sheets that some schools prepared to support mandate-related costs claimed. The data collection sheets identified the following four mandate-related activities:

- Preparing and implementing district earthquake emergency plans and procedures (activity 1)
- Training staff in earthquake emergency procedures (activity 2)
- Preparing standard lessons for training students in earthquake emergency procedures (activity 3)
- Preparing a standard testing program to ensure that students are trained (activity 4)

The FY 1996-97 data collection sheets instructed preparers to indicate with a check mark “which of the activities below your site participates in, which staff members are typically involved in the activity and the approximate amount of time spent on the activity.” The FY 1997-98 data collection sheets were similarly notated. For each mandate-related activity, the data collection sheets were pre-printed with various employee classifications that might participate in the activity. The FY 1997-98 data collection sheets were also pre-printed with options for the preparer to choose 0.5 hours, 1.0 hours, 1.5 hours, or 2.0 hours, or to fill in a blank space with another amount of time spent to perform the mandated activity.

The district also provided worksheets that it identified as statistical analyses. It prepared the statistical analyses based on the data collection sheets that schools submitted. Neither the statistical analyses nor the data collection sheets reconciled to the mandate-related hours claimed.

Statistical Analyses

In its response to our draft audit report, the district states, “The statistical analysis *used by the district to determine the actual costs of performing the reimbursable activities* [emphasis added] is reasonable and not excessive.” In actuality, the district did *not* use the statistical analyses to claim costs. The claimed hours did not correspond to the statistical totals reflected on each fiscal year’s statistical analysis.

In any case, the district did not complete valid statistical analyses. The district projected mean, mode, and median hours based only on those schools that actually submitted data collection sheets. A valid statistical sample requires a sample of randomly selected schools from all schools within the district. In addition, the district erroneously calculated mean, mode, and median hours. In some cases, a school submitted a data collection sheet but did not report any hours for one or more employee classifications within an activity. However, the district then erred in calculating the mean, mode, and median hours for the applicable activity and employee classification by excluding that school from the base.

We also noted that the data collection sheets did not clearly support the data used in the statistical analyses. In a statement of decision adopted July 28, 2011, the Commission on State Mandates (CSM) stated that the district “made assumptions about what the primary data in the worksheets actually meant.” The following examples identify differences or discrepancies between the statistical analyses and the data collection sheets:

- Alcott Elementary School, FY 1996-97—The preparer check-marked all employee classifications listed under activity 1. However, the data collection sheet shows “15-20 hrs” for only the Principal employee classification. The sheet does not indicate whether “15-20 hrs” represents time spent by the principal or by all employee classifications collectively. The sheet is then further notated in the right margin with “2*,” with an arrow down the length of the column. The worksheet does not explain the intent of this notation. The statistical analysis worksheet identified two hours for activity 1 for every employee classification.
- Keiller Middle School, FY 1996-97—The statistical analysis worksheet identifies activity 3 hours for the vice principal and teachers. However, the data collection sheet does not identify any hours for activity 3.
- Alcott Elementary School, FY 1997-98—The preparer check-marked the Nurse classification under activity 1, but did not circle or otherwise fill in the time spent. However, the statistical analysis shows two hours for the Nurse classification at this school.
- Cubberley Elementary School, FY 1997-98—Under activity 1, the preparer circled two hours for the Principal, Teacher, and Support Staff classifications, and one hour for the Maintenance classification. However, the preparer also wrote “total 7” to the side, which appears to indicate a total of seven hours spent to perform the activity. However, on the statistical analysis worksheet, the district reflected either one or two hours attributable to every employee in the applicable classifications.
- Bell Junior High School, FY 1997-98—The preparer check-marked “support staff” under activity 1 and filled in six hours for time spent performing the mandated activity. The statistical analysis indicates that “support staff” includes librarians, instructional aides, clerks/secretaries, and police. The data collection sheet does not indicate whether the time reported is applicable to each “support staff” employee, or all “support staff” employees collectively. The district’s statistical analysis worksheet reflects the time spent as attributable to each “support staff” employee.

Because of the inappropriate sampling methodology used and the various discrepancies between data collection sheets and statistical analysis worksheets, we concluded that the district’s statistical analyses are not appropriate evidence to support mandate-relate costs.

Data Collection Sheets

In its statement of decision adopted July 28, 2011, the CSM disclosed that it had reviewed samples of the district's data collection sheets. The CSM stated that it observed the following:

- “The information in the data collection worksheets is not clear.”
- “Of the seven worksheets in record . . . no two are exactly alike. The form worksheets provide very little explanation, and each school filled the worksheet out in its own way.”
- “It is also not clear what process any of the preparers used to compile the information.”

Nevertheless, the CSM reached the following conclusion:

These [data collection] worksheets “show evidence” that some costs were incurred even if the evidence is unclear. . . . For several reasons, however, the “validity” of these costs is open to question. . . . Despite these deficiencies, the Commission finds that the undisputed evidence in the record clearly shows that the District performed reimbursable mandated activities. The District requested schools within the District to prepare worksheets in an effort to maintain evidence of the validity of costs claimed. . . . Given the vagueness of the parameters and guidelines, the District could reasonably believe that the data collection sheets were an adequate means of meeting the requirements. . . .

Therefore, we reviewed all worksheets that the district provided to determine the supported mandate-related costs. For each data collection sheet that the district submitted, we allowed the hours identified for each classification within each activity. For example, if the preparer check-marked “teachers” and identified four hours, we allowed four hours for the Teacher classification. If the preparer identified the number of employees who performed the activity, we multiplied the number of hours by the number of employees to calculate total allowable hours for the classification. We applied the following exceptions to the aforementioned analysis:

- We did not allow hours reported for Darnall Elementary School and Memorial Junior High School. The district identified these schools as charter schools. Charter school activities are not eligible for mandated-program reimbursement.
- Under activity 4, we did not allow hours reported for teachers if the preparer indicated that the hours were attributable to earthquake drills.
- We did not allow hours reported on data collection sheets for “committees.” The preparer did not identify the employee classification(s) included in the applicable committee. We were also unable to determine whether the reported committee hours duplicated hours reported for individual employee classifications.

- We did not allow hours reported on data collection sheets for unidentified schools.
- We did not allow hours reported as “other,” unless the preparer wrote in a specific employee classification.
- For one school site, the preparer indicated that 150 “staff” performed two of the activities and identified the number of hours per person. Because the preparer did not specify the employee classifications for “staff,” we applied the allowable hours to the Teacher classification.
- For FY 1997-98, the district also submitted a training notification memorandum and a sign-in sheet for earthquake training conducted on May 28, 1998. The memorandum indicated that training was scheduled for two hours. The memorandum and sign-in sheet indicated that school maintenance staff attended the training. We compared the training sign-in sheet to the data collection sheets submitted. For each school site represented on the training sign-in sheet, we allowed two hours for the Maintenance classification if that school site either did not submit a data collection sheet or submitted a data collection sheet with no time reported under activity 2 for maintenance staff.

The following table summarizes the audit adjustment:

Cost Element	Fiscal Year		Total
	1996-97	1997-98	
Unallowable costs:			
Salaries and benefits	\$ (167,423)	\$ -	\$ (167,423)
Indirect costs	(9,316)	-	(9,316)
Audit adjustment, unallowable costs	(176,739)	-	(176,739)
Unsupported costs:			
Salaries and benefits	(263,107)	(430,160)	(693,267)
Indirect costs	(10,656)	(18,712)	(29,368)
Audit adjustment, unsupported costs	(273,763)	(448,872)	(722,635)
Total audit adjustment	\$ (450,502)	\$ (448,872)	\$ (899,374)

The program’s parameters and guidelines (amended February 28, 1991) require the district to claim actual costs. The parameters and guidelines state, “For auditing purposes, all costs claimed may be traceable to source documents and/or worksheets that show evidence of the validity of such costs.” The parameters and guidelines also specify that “in-classroom teacher time spent on the instruction of students on emergency procedure systems” is unallowable.

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. Therefore, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

No recommendation is applicable to this revised report. Chapter 895, Statutes of 2004, amended Education Code sections 35295 and 35296, and repealed section 38132 (formerly section 40041.5). The amendments deleted public school districts from the state-mandated requirements to establish earthquake emergency procedure systems. On March 29, 2006, the CSM adopted amended consolidated parameters and guidelines for the Emergency Procedures, Earthquake Procedures, and Disasters Program and Comprehensive School Safety Plans Program. The amended parameters and guidelines incorporated the statutory amendments of Chapter 895, Statutes of 2004.

District's Response to Original Draft and Final Audit Reports

The district responded to our draft audit report by letter dated September 15, 2000 (Attachment), disagreeing with the audit finding. We issued our final audit report on December 22, 2000. In response to the final audit, the district filed an Incorrect Reduction Claim (IRC) with the CSM on March 26, 2000.

SCO's Comment

In our original final audit report, we did not allow the district's claimed costs. On July 28, 2011, the CSM adopted a statement of decision in response to the district's IRC.

In its statement of decision, the CSM upheld the unallowable costs that DAR identified in its desk review completed August 16, 1999. However, the CSM concluded that the SCO incorrectly reduced the remaining claimed costs to \$0 based on inadequate documentation. The CSM concluded that the SCO's action was "arbitrary and not based on the very general language in the parameters and guidelines." The CSM remanded the district's claims back to the SCO and requested that the SCO reimburse the district in accordance with the CSM's analysis.

In compliance with the statement of decision, we reconsidered the finding to allow mandate-related costs documented by the district's "data collection sheets." As a result, we revised the finding to reduce the audit adjustment by \$302,062. We also revised our recommendation because of changes to statutory language and the program's parameters and guidelines.

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



SAN DIEGO CITY SCHOOLS

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FINANCE DIVISION
Richard J. Knott, Controller

October 5, 2000

Jim L. Spano, Chief
State Controller's Office
Division of Audits
300 Capitol Mall, Suite 518
Sacramento, CA 95814

Dear Mr. Spano:

SUBJECT: EMERGENCY PROCEDURES MANDATE, DRAFT AUDIT REPORT

San Diego Unified School District strongly disagrees with the conclusions in the draft Audit Report for the Emergency Procedures Mandate for the Fiscal Year 1996-97 and 1997-98 reimbursement claims. In particular, the district objects to the conclusion that the district had "no documentation" to support the amount claimed. The draft audit report ignores the substantial and conclusive documentation supporting these claims. In addition, the draft audit report for the district's Fiscal Year 1996-97 reimbursement claim was not timely issued and this claim cannot be adjusted.

I. Source Documents Fully Support the District's Reimbursement Claims

A. Time records maintained by the district are not "estimates."

The draft audit report states that the district's time records are "year-end estimates of hours supposedly spent on the mandate during the year." This statement is wrong. These time logs are not estimates but are after-the-fact certifications of the actual effort expended by the district's personnel on the mandated activities for the period indicated. The time logs were completed by the persons who performed the tasks or by a supervisory official having first hand knowledge of the activity performed by the employees. District personnel continually made this distinction to the auditor, but she failed to grasp the distinction.

After-the-fact certifications are a recognized and acceptable means of determining labor costs for a cost objective. The Office of Management and Budget's OMB Circular A-87 and California Department of Education memoranda set forth several types of after-the-fact determinations that are acceptable for federal programs. These methods are used to determine actual costs; they are not estimates.

- B. The district provided source documents to prove that district personnel performed the mandated activities.

There can be no question that the school site staff performed the reimbursable activities. Each school site annually reviews and prepares or updates an emergency preparedness plan. We provided copies of the plans from nearly all of the school sites for 1996-97 and 1997-98. The draft audit report incorrectly states that these plans "were not developed during the audit period." The plans are prepared or reviewed and updated each year and the plans provided to the auditor were the plans in effect during the audit period. Thus, the district provided sufficient documentation to prove that each school site performed activities of reviewing, preparing, and updating the emergency procedures required by the mandate.

In interviews with the auditor, the district's school principals or vice principals affirmed that they conduct at least one general staff meeting, normally prior to the beginning of the school year, in which they discuss the emergency procedures with all staff members and that each staff member reviews the emergency procedures and prepares for the evacuation drills. These principals and vice principals provided samples of the meeting agendas for the meetings in which the emergency procedures plans were discussed. These documents confirm that the schools performed the reimbursable activities. Thus, the district provided sufficient evidence that all school site personnel spend time preparing to implement district emergency and disaster plans, an activity that is clearly reimbursable under the Parameters and Guidelines.

Each school site conducts an emergency evacuation drill as part of the plan implementation. These drills are not the "drop, cover, and hold" exercises that are periodically conducted by teachers in class, but are comprehensive drills conducted to test the emergency procedures, to provide an opportunity to make necessary changes to the procedures, and to ensure that staff members are properly trained on their individual duties under the procedures. We provided copies of the verifications signed by nearly 100 percent of the schools in which the school site verifies that the school conducted an emergency evacuation drill in each of the fiscal years. The auditor also received samples of drill logs maintained by the school sites selected by the auditor showing the date and times of the drills. Each school site evaluates their evacuation drill and makes appropriate changes to the emergency preparedness plans. These activities are reimbursable under the Parameters and Guidelines.

- C. The district's method of determining the actual costs of performing the mandated activities is reasonable.

In Fiscal Year 1996-97, 87 of the 165 school sites, or approximately 53 percent of the sites, provided time logs. In Fiscal Year 1997-98, 97 of the 169 school sites, or approximately 57 percent of the sites, provided time logs. The district performed a statistical analysis of the time logs provided by these sites in order to determine the actual time spent by all school site personnel on the mandate. The time claimed for

Letter to Jim L. Spano—State Controller's Office
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October 5, 2000

each employee is less than the average and median times that are supported by the statistical analyses. For example, the average and median times for principals for Fiscal Year 1997-98 were 7.35 and 5 hours, respectively, and the time claimed for principals was 2 hours.

Had the district used only the actual time reported by the 97 school sites for Fiscal Year 1997-98, the reimbursement claim would have been \$390,387.32. However, the district's documents evidence that all school sites performed the reimbursable activities. Therefore, the statistical method used by the district to determine the actual costs of performing the reimbursable activities is reasonable and not excessive.

II. The Fiscal Year 1996-97 Reimbursement Claim Cannot Be Disallowed

Government Code Section 17558.5 imposed a limitations-period on audit of mandate reimbursement claims. Section 17558.5 requires that any audit be completed no later than two years after the end of the calendar year in which the claim was filed or last amended. The district's Fiscal Year 1996-97 reimbursement claim was filed on November 26, 1997. Therefore, the audit of the Fiscal Year 1996-97 must have been completed no later than December 31, 1999. The draft audit report, with respect to Fiscal Year 1996-97, was not timely issued and has no force or effect.¹

Please correct the draft audit report to find that the costs claimed by the district are approved as claimed. If you need any further information, or would like to meet to resolve this matter, I can be reached at (619) 725-7560.

Sincerely,



Richard J. Knott
Controller

RJK:jv

c: Alan Bersin, Superintendent of Public Education
Terry Smith, Chief of Staff
Henry Hurley, Chief Administrative Officer
JoAnne SawyerKnoll, General Counsel

¹The State Controller's Office completed review of the Fiscal Year 1996-97 reimbursement claim on May 6, 1999, and issued the written notification of adjustment to the claim required by Government Code section 17558.5, subdivision (b) on that date. Pursuant to that review, the State Controller's Office approved costs totaling \$408,865 of the District's \$588,819 reimbursement claim.

**State Controller's Office
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