

# **SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

Chapter 498, Statutes of 1983;  
and Chapter 4, Statutes of 1999

*July 1, 1999, through June 30, 2005; July 1, 2006, through June 30, 2008;  
and July 1, 2010, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

April 2017



**BETTY T. YEE**  
California State Controller

April 19, 2017

Rosa Acosta, Board President  
South San Francisco Unified School District Board of Trustees  
398 B Street  
South San Francisco, CA 94080

Dear Ms. Acosta:

The State Controller's Office audited the costs claimed by South San Francisco Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1999, through June 30, 2005; July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$941,116 for the mandated program. Our audit found that \$152,653 is allowable (\$161,531 less a \$8,878 penalty for filing late claims) and \$788,463 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$551,732. The State will offset \$399,079 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: Shawnterra Moore, Ed.D., Superintendent  
South San Francisco Unified School District  
Jay Spaulding, Ed.D., Associate Superintendent  
Human Resources and Student Services  
South San Francisco Unified School District  
Michael Krause, Assistant Superintendent  
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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by South San Francisco Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1999, through June 30, 2005; July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$941,116 for the mandated program. Our audit found that \$152,653 is allowable (\$161,531 less a \$8,878 penalty for filing late claims) and \$788,463 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$551,732. The State will offset \$399,079 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

## Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-44665. The legislation provided reimbursement for specific activities related to evaluation and assessment of the performance of "certificated personnel" within each school district, except for those employed in local, discretionary educational programs.

On May 27, 2004, the Commission on State Mandates (Commission) determined that the legislation imposed a state mandate reimbursable under Government Code section 17514.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on September 27, 2005. 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.

The Commission approved reimbursable activities as follows:

- Evaluate and assess the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal laws as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives (Education Code section 44662(b) as amended by Chapter 498, Statutes of 1983).
- Evaluate and assess the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests (Education Code section 44662(b) as amended by Chapter 4, Statutes of 1999).
- Assess and evaluate permanent certificated, instructional, and non-instructional employees who perform the requirements of educational programs mandated by state or federal law and receive an unsatisfactory evaluation in the years in which the permanent

certificated employee would not have otherwise been evaluated pursuant to Education Code section 44664. The additional evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (Education Code section 44664 as amended by Chapter 498, Statutes of 1983).

## **Objectives, Scope, and Methodology**

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 1999, through June 30, 2005; July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

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 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.

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.

To achieve our audit objectives, we:

- Reviewed annual claims filed with SCO to identify any mathematical errors, and performed analytical procedures to determine any unusual or unexpected variances from year-to-year;
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Assessed whether computer-processed data provided by the district to support claimed costs was complete, accurate and reliable;
- Traced listings of employees evaluated and assessed the reimbursability of those evaluations;
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities; and
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system.

## Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, South San Francisco Unified School District claimed \$941,116 for costs of the Stull Act Program. Our audit found that \$152,653 is allowable (\$161,531 less a \$8,878 penalty for filing late claims).

For the fiscal year (FY) 1999-2000 claim, the State paid the district \$98,778. Our audit found that \$12,050 is allowable. The State will offset \$86,728 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2000-01 claim, the State paid the district \$88,091. Our audit found that \$12,675 is allowable. The State will offset \$75,416 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2001-02 claim, the State paid the district \$79,079. Our audit found that \$13,182 is allowable. The State will offset \$65,897 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2002-03 claim, the State paid the district \$90,369. Our audit found that \$13,432 is allowable. The State will offset \$76,937 from 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 \$102,494. Our audit found that \$13,930 is allowable. The State will offset \$88,564 from 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 \$92,921. Our audit found that \$14,629 is allowable. The State will offset \$78,292 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2006-07, 2007-08, 2010-11 and 2011-12 claims, the State made no payment to the district. Our audit found that \$72,755 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$72,755, contingent upon available appropriations.

## Views of Responsible Officials

We discussed our audit results with the district's representative during an exit conference conducted on March 1, 2017. Jay Spaulding, Associate Superintendent, Human Resources and Student Services, agreed with the audit results. Mr. Spaulding declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of South San Francisco Unified School District, the San Mateo 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

April 19, 2017

**Schedule—**  
**Summary of Program Costs**  
**July 1, 1999, through June 30, 2005; July 1, 2006, through**  
**June 30, 2008; and July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 102,650	\$ 12,522	\$ (90,128)
Total direct costs	102,650	12,522	(90,128)
Indirect costs	7,103	867	(6,236)
Subtotal	109,753	13,389	(96,364)
Less late filing penalty <sup>2</sup>	-	(1,339)	(1,339)
Total program costs	<u>\$ 109,753</u>	12,050	<u>\$ (97,703)</u>
Less amount paid by the State		(98,778)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (86,728)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 91,177	\$ 13,119	\$ (78,058)
Total direct costs	91,177	13,119	(78,058)
Indirect costs	6,702	964	(5,738)
Subtotal	97,879	14,083	(83,796)
Less late filing penalty <sup>2</sup>	-	(1,408)	(1,408)
Total program costs	<u>\$ 97,879</u>	12,675	<u>\$ (85,204)</u>
Less amount paid by the State		(88,091)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (75,416)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 82,179	\$ 13,699	\$ (68,480)
Total direct costs	82,179	13,699	(68,480)
Indirect costs	5,687	948	(4,739)
Subtotal	87,866	14,647	(73,219)
Less late filing penalty <sup>2</sup>	-	(1,465)	(1,465)
Total program costs	<u>\$ 87,866</u>	13,182	<u>\$ (74,684)</u>
Less amount paid by the State		(79,079)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (65,897)</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 94,229	\$ 14,005	\$ (80,224)
Total direct costs	94,229	14,005	(80,224)
Indirect costs	6,181	919	(5,262)
Subtotal	100,410	14,924	(85,486)
Less late filing penalty <sup>2</sup>	-	(1,492)	(1,492)
Total program costs	<u>\$ 100,410</u>	13,432	<u>\$ (86,978)</u>
Less amount paid by the State		(90,369)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (76,937)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 106,154	\$ 14,428	\$ (91,726)
Total direct costs	106,154	14,428	(91,726)
Indirect costs	7,728	1,050	(6,678)
Subtotal	113,882	15,478	(98,404)
Less late filing penalty <sup>2</sup>	-	(1,548)	(1,548)
Total program costs	<u>\$ 113,882</u>	13,930	<u>\$ (99,952)</u>
Less amount paid by the State		(102,494)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (88,564)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 95,026	\$ 14,961	\$ (80,065)
Total direct costs	95,026	14,961	(80,065)
Indirect costs	8,220	1,294	(6,926)
Subtotal	103,246	16,255	(86,991)
Less late filing penalty <sup>2</sup>	-	(1,626)	(1,626)
Total program costs	<u>\$ 103,246</u>	14,629	<u>\$ (88,617)</u>
Less amount paid by the State		(92,921)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (78,292)</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 55,596	\$ 16,719	\$ (38,877)
Total direct costs	55,596	16,719	(38,877)
Indirect costs	5,276	1,587	(3,689)
Total program costs	<u>\$ 60,872</u>	18,306	<u>\$ (42,566)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,306</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 65,804	\$ 17,737	\$ (48,067)
Total direct costs	65,804	17,737	(48,067)
Indirect costs	5,231	1,410	(3,821)
Total program costs	<u>\$ 71,035</u>	19,147	<u>\$ (51,888)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 19,147</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 92,480	\$ 16,577	\$ (75,903)
Total direct costs	92,480	16,577	(75,903)
Indirect costs	3,847	690	(3,157)
Total program costs	<u>\$ 96,327</u>	17,267	<u>\$ (79,060)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,267</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 94,265	\$ 17,027	\$ (77,238)
Total direct costs	94,265	17,027	(77,238)
Indirect costs	5,581	1,008	(4,573)
Total program costs	<u>\$ 99,846</u>	18,035	<u>\$ (81,811)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,035</u>	
 <u>Summary: July 1, 1999, through June 30, 2005; July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 879,560	\$ 150,794	\$ (728,766)
Total direct costs	879,560	150,794	(728,766)
Indirect costs	61,556	10,737	(50,819)
Subtotal	941,116	161,531	(779,585)
Less late filing penalty <sup>2</sup>	-	(8,878)	(8,878)
Total program costs	<u>\$ 941,116</u>	152,653	<u>\$ (788,463)</u>
Less amount paid by the State		(551,732)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (399,079)</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> The district filed its FY 1999-2000, FY 2000-01, FY 2001-02, FY 2002-03, FY 2003-04, and FY 2004-05 initial reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002). All of these claims were filed after September 30, 2002.

# Finding and Recommendation

**FINDING—  
Overstated salaries  
and benefits and  
related indirect costs**

The district claimed \$879,560 in salaries and benefits and \$61,556 in related indirect costs for the audit period. We found that \$728,766 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for costs not supported by source documentation. Related indirect costs totaled \$50,819.

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

Fiscal Year	Salaries and Benefits			(D)	Total
	(A) Claimed	(B) Allowable	(C) Adjustment [(B)-(A)]	Indirect Costs Adjustments	Audit Adjustments [(C)+(D)]
1999-2000	\$ 102,650	\$ 12,522	\$ (90,128)	\$ (6,236)	\$ (96,364)
2000-01	91,177	13,119	(78,058)	(5,738)	(83,796)
2001-02	82,179	13,699	(68,480)	(4,739)	(73,219)
2002-03	94,229	14,005	(80,224)	(5,262)	(85,486)
2003-04	106,154	14,428	(91,726)	(6,678)	(98,404)
2004-05	95,026	14,961	(80,065)	(6,926)	(86,991)
2006-07	55,596	16,719	(38,877)	(3,689)	(42,566)
2007-08	65,804	17,737	(48,067)	(3,821)	(51,888)
2010-11	92,480	16,577	(75,903)	(3,157)	(79,060)
2011-12	94,265	17,027	(77,238)	(4,573)	(81,811)
	<u>\$ 879,560</u>	<u>\$ 150,794</u>	<u>\$ (728,766)</u>	<u>\$ (50,819)</u>	<u>\$ (779,585)</u>

**Time Support for Reimbursable Activities**

For the audit period, the district did not provide contemporaneous time documentation to support reimbursable evaluation activities. However, the district provided evaluations to support that reimbursable activities were performed in every year of the audit period. To support claimed costs, the district provided collective bargaining agreements for the audit period, which stated that each evaluation shall be based on a minimum of 60 minutes of observational time for the evaluation period. This language was identical for every collective bargaining agreement in place for the audit period. We interviewed staff members responsible for conducting evaluations during this time period, and they confirmed a similar evaluation process as listed in the agreement.

**Completed Evaluations**

The district provided lists of evaluations for FY 2006-07, FY 2007-08, FY 2010-11 and FY 2011-12. The lists identified employees who received evaluations during each reported year. These lists were the basis of support for the total evaluation population for the audit period.

We reviewed the evaluation lists for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. The parameters and guidelines allow reimbursement for evaluations conducted for certificated

instructional personnel who perform the requirements of education programs mandated by state or federal law during specific evaluation periods. The parameters and guidelines also allow reimbursement once per year for evaluations conducted for probationary employees and every other year for permanent employees.

The following table shows the number of evaluations that are not reimbursable under the mandated program:

Fiscal Year	Number of Completed Evaluations		
	(A) District- Provided	(B) Audited	(C)=(B)-(A) Difference
2006-07	261	222	(39)
2007-08	370	294	(76)
2010-11	264	218	(46)
2011-12	264	226	(38)
Total	1,159	960	(199)

The non-reimbursable evaluations included:

- Certificated employees identified by the district as working in non-instructional site locations, as well as those with non-instructional job classifications;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations requested during testing that the district was unable to locate.

### Calculation of Allowable Evaluation Costs

For FY 2006-07, FY 2007-08, FY 2010-11 and FY 2011-12, we arrived at allowable salaries and benefits for “evaluation activities” by multiplying the number of allowable evaluations by 60 minutes per evaluation and the average of all claimed productive hourly rates.

For the remaining fiscal years, we used the date in FY 2006-07 as the “base” year. We applied an implicit price deflator to total allowable evaluation activities costs in FY 2003-04 to determine allowable evaluation activities costs for FY 1999-2000 through FY 2004-05.

The following table summarizes allowable evaluation costs by fiscal year:

Fiscal Year	Evaluation Activities		
	(A) Claimed	(B) Allowable	(C)=(B)-(A) Audit Adjustment
1999-2000	\$ 102,650	\$ 12,522	(90,128)
2000-01	91,177	13,119	(78,058)
2001-02	82,179	13,699	(68,480)
2002-03	94,229	14,005	(80,224)
2003-04	106,154	14,428	(91,726)
2004-05	95,026	14,961	(80,065)
2006-07	55,596	16,719	(38,877)
2007-08	65,804	17,737	(48,067)
2010-11	92,480	16,577	(75,903)
2011-12	94,265	17,027	(77,238)
Total	<u>\$ 879,560</u>	<u>\$ 150,794</u>	<u>\$ (728,766)</u>

The parameters and guidelines (section IV.A.1) state that the following activity is reimbursable:

Evaluate and assess the performance of certificated instructional employees that perform the requirements of educational programs mandated by state or federal law as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives.

Reimbursement for this activity is limited to:

- a. Reviewing the employee's instructional techniques and strategies and adherence to curricular objectives, and
- b. Including in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:
  - Once each year for probationary certificated employees;
  - Every other year for permanent certificated employees; and
  - Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.A.2) state that the following activity is reimbursable:

Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests.

Reimbursement for this activity is limited to:

a. Reviewing the results of the Standardized Testing and Reporting test as it reasonably relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and

b. Including in the written evaluation of those certificated employees the assessment of the employee's performance based on the Standardized Testing and Reporting results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:

- Once each year for probationary certificated employees;
- Every other year for permanent certificated employees; and
- Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.C–Training) indicate that the district may train staff on implementing the reimbursable activities listed in Section IV of the parameters and guidelines. (One-time activity for each employee.)

The parameters and guidelines (section IV–Reimbursable Activities) also state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs are based on actual costs, are for activities reimbursable under the parameters and guidelines, and are supported by contemporaneous source documentation.

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