

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1998, through June 30, 2004



JOHN CHIANG
California State Controller

July 2013



JOHN CHIANG
California State Controller

July 30, 2013

Rachel Norton, President
Board of Education
San Francisco Unified School District
555 Franklin Street, Room 106
San Francisco, CA 94102

Dear Ms. Norton:

The State Controller's Office audited the costs claimed by the San Francisco Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1998, through June 30, 2004.

The district claimed \$2,022,846 for the mandated program. Our audit found that \$675,798 is allowable (\$701,618 less a \$25,820 penalty for filing late claims), and \$1,347,048 is unallowable because the district claimed unsupported and ineligible costs. The State paid the district \$1,083,477. The amount paid exceeds allowable costs claimed by \$407,679.

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 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, CPA
Chief, Division of Audits

JVB/nh

Attachment

cc: Joseph Grazioli, Chief Financial Officer
San Francisco Unified School District
Paulette Terrell, Director of Fiscal Services
San Francisco Unified School District
Richard Carranza, Superintendent of Schools, Board of Education
San Francisco County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	9
Attachment—District response to draft audit report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Francisco Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1998, through June 30, 2004.

The district claimed \$2,022,846 for the mandated program. Our audit found that \$675,798 is allowable (\$701,618 less a \$25,820 penalty for filing late claims), and \$1,347,048 is unallowable because the district claimed unsupported and ineligible costs. The State paid the district \$1,083,477. The amount paid exceeds allowable costs claimed by \$407,679.

Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at *California Code of Regulations*, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with a nationally normed achievement test designated by the State Board of Education. School districts administered the Stanford Achievement Test, Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from FY 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that Chapter 828, Statutes of 1977, and the implementing regulations at *California Code of Regulations*, Title 5, section 850 through 904, imposed a state mandate upon school districts reimbursable under Government Code section 17561 commencing October 10, 1997.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

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

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 1998, through June 30, 2004.

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 found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the San Francisco Unified School District claimed \$2,022,846 for costs of the Standardized Testing and Reporting Program. Our audit found that \$675,798 is allowable (\$701,618 less a \$25,820 penalty for filing late claims) and \$1,347,048 is unallowable.

For the fiscal year (FY) 1998-99 claim, the State paid the district \$73,101. Our audit found that \$70,634 is allowable. The State will offset \$2,467 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the district \$254,758. Our audit found that \$42,672 is allowable. The State will offset \$212,086 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 \$406,004. Our audit found that \$119,077 is allowable. The State will offset \$286,927 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 \$349,614. Our audit found that \$157,129 is allowable. The State will offset \$192,485 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 made no payment to the district. Our audit found that \$114,905 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$171,381 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on May 31, 2013. Joseph Grazioli, Chief Financial Officer, responded to our preliminary findings by letter dated March 21, 2013, prior to the exit meeting. Mr. Grazioli agreed with the audit results except for the training activity discussed in Finding 1. Subsequent to the issuance of the draft audit report, the district confirmed via telephone and email dated June 18, 2013, that the district will not submit an additional response and that previous comments remain the same in relation to the draft audit report. The final audit report includes the district's comments.

Restricted Use

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

July 30, 2013

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 61,190	\$ 9,117	\$ (52,073)	Finding 1
Test materials, supplies, and equipment	996	705	(291)	Finding 1
Pre-test and post-test coordination	33,024	18,989	(14,035)	Finding 1
Test administration	40,452	27,855	(12,597)	Finding 1
Reporting and recordkeeping	45,365	31,224	(14,141)	Finding 1
Total salaries and benefits	<u>181,027</u>	<u>87,890</u>	<u>(93,137)</u>	
Materials and supplies:				
Training, policies, and procedures	914	588	(326)	Finding 2
Test materials, supplies, and equipment	229,877	162,730	(67,147)	Finding 2
Reporting and recordkeeping	43,517	30,806	(12,711)	Finding 2
Total materials and supplies	<u>274,308</u>	<u>194,124</u>	<u>(80,184)</u>	
Total direct costs	455,335	282,014	(173,321)	
Indirect costs	44,167	27,355	(16,812)	Finding 1, 2
Total direct and indirect costs	499,502	309,369	(190,133)	
Less offsetting reimbursements	(326,157)	(230,887)	95,270	Finding 4
Total direct and indirect costs	173,345	78,482	(94,863)	
Less late filing penalty ²	—	(7,848)	(7,848)	
Total program cost	<u>\$ 173,345</u>	70,634	<u>\$ (102,711)</u>	
Less amount paid by the State ³		(73,101)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (2,467)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 40,172	\$ 8,669	\$ (31,503)	Finding 1
Pre-test and post-test coordination	37,690	25,450	(12,240)	Finding 1
Test administration	45,213	29,464	(15,749)	Finding 1
Reporting and recordkeeping	33,144	22,250	(10,894)	Finding 1
Total salaries and benefits	<u>156,219</u>	<u>85,833</u>	<u>(70,386)</u>	
Materials and supplies:				
Training, policies, and procedures	161,285	657	(160,628)	Finding 2
Test administration	269	189	(80)	Finding 2
Reporting and recordkeeping	35,809	25,127	(10,682)	Finding 2
Total materials and supplies	<u>197,363</u>	<u>25,973</u>	<u>(171,390)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000 (continued)</u>				
Total direct costs	353,582	111,806	(241,776)	
Indirect costs	<u>38,682</u>	<u>12,232</u>	<u>(26,450)</u>	Finding 1, 2
Total direct and indirect costs	392,264	124,038	(268,226)	
Less offsetting reimbursements	<u>(109,199)</u>	<u>(76,625)</u>	<u>32,574</u>	Finding 4
Total direct and indirect costs	283,065	47,413	(235,652)	
Less late filing penalty ²	<u>—</u>	<u>(4,741)</u>	<u>(4,741)</u>	
Total program cost	<u>\$ 283,065</u>	42,672	<u>\$ (240,393)</u>	
Less amount paid by the State ³		<u>(254,758)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (212,086)</u>	
<u>July 1, 2000, through June 30, 2001</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 88,597	\$ 11,174	\$ (77,423)	Finding 1
Pre-test and post-test coordination	65,528	39,837	(25,691)	Finding 1
Test administration	89,261	51,456	(37,805)	Finding 1
Reporting and recordkeeping	<u>63,641</u>	<u>38,204</u>	<u>(25,437)</u>	Finding 1
Total salaries and benefits	<u>307,027</u>	<u>140,671</u>	<u>(166,356)</u>	
Materials and supplies:				
Training, policies, and procedures	136,768	2,583	(134,185)	Finding 2
Test administration	1,689	1,056	(633)	Finding 2
Reporting and recordkeeping	<u>68,390</u>	<u>40,550</u>	<u>(27,840)</u>	Finding 2
Total materials and supplies	<u>206,847</u>	<u>44,189</u>	<u>(162,658)</u>	
Total direct costs	513,874	184,860	(329,014)	
Indirect costs	<u>50,205</u>	<u>18,061</u>	<u>(32,144)</u>	Finding 1, 2
Total direct and indirect costs	564,079	202,921	(361,158)	
Less offsetting reimbursements	<u>(112,963)</u>	<u>(70,613)</u>	<u>42,350</u>	Finding 4
Total direct and indirect costs	451,116	132,308	(318,808)	
Less late filing penalty ²	<u>—</u>	<u>(13,231)</u>	<u>(13,231)</u>	
Total program cost	<u>\$ 451,116</u>	119,077	<u>\$ (332,039)</u>	
Less amount paid by the State ³		<u>(406,004)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (286,927)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 113,320	\$ 11,455	\$ (101,865)	Finding 1
Pre-test and post-test coordination	70,865	44,717	(26,148)	Finding 1
Test administration	66,500	41,687	(24,813)	Finding 1
Reporting and recordkeeping	125,681	78,480	(47,201)	Finding 1
Total salaries and benefits	<u>376,366</u>	<u>176,339</u>	<u>(200,027)</u>	
Materials and supplies:				
Training, policies, and procedures	12,093	7,595	(4,498)	Finding 2
Reporting and recordkeeping	45,322	28,621	(16,701)	Finding 2
Total materials and supplies	<u>57,415</u>	<u>36,216</u>	<u>(21,199)</u>	
Total direct costs	433,781	212,555	(221,226)	
Indirect costs	<u>32,924</u>	<u>16,133</u>	<u>(16,791)</u>	Finding 1, 2
Total direct and indirect costs	466,705	228,688	(238,017)	
Less offsetting reimbursements	<u>(113,316)</u>	<u>(71,559)</u>	<u>41,757</u>	Finding 4
Total direct and indirect costs	353,389	157,129	(196,260)	
Less late filing penalty ^{2, 4}	<u>—</u>	<u>—</u>	<u>—</u>	
Total program cost	<u>\$ 353,389</u>	157,129	<u>\$ (196,260)</u>	
Less amount paid by the State ³		<u>(349,614)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (192,485)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,487	\$ 8,069	\$ (6,418)	Finding 1
Pre-test and post-test coordination	272,877	127,131	(145,746)	Finding 1
Test administration	16,715	6,192	(10,523)	Finding 1
Reporting and recordkeeping	2,948	761	(2,187)	Finding 1
Total salaries and benefits	<u>307,027</u>	<u>142,153</u>	<u>(164,874)</u>	
Materials and supplies:				
Training, policies, and procedures	6,228	3,854	(2,374)	Finding 2
Reporting and recordkeeping	39,953	22,897	(17,056)	Finding 2
Total materials and supplies	<u>46,181</u>	<u>26,751</u>	<u>(19,430)</u>	
Total direct costs	353,208	168,904	(184,304)	
Indirect costs	<u>30,027</u>	<u>16,519</u>	<u>(13,508)</u>	Finding 1, 2

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Total direct and indirect costs	383,235	185,423	(197,812)	
Less offsetting reimbursements	—	(70,518)	(70,518)	Finding 4
Total program cost	<u>\$ 383,235</u>	114,905	<u>\$ (268,330)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 114,905</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 62,850	\$ 12,819	\$ (50,031)	Finding 1
Pre-test and post-test coordination	280,299	153,349	(126,950)	Finding 1
Test administration	38,077	20,571	(17,506)	Finding 1
Reporting and recordkeeping	38,513	21,117	(17,396)	Finding 1
Total salaries and benefits	<u>419,739</u>	<u>207,856</u>	<u>(211,883)</u>	
Materials and supplies:				
Training, policies, and procedures	2,430	1,232	(1,198)	Finding 2
Reporting and recordkeeping	27,608	10,775	(16,833)	Finding 2
Total materials and supplies	<u>30,038</u>	<u>12,007</u>	<u>(18,031)</u>	
Contract services:				
Reporting and recordkeeping	3,571	—	(3,571)	Finding 3
Total direct costs	453,348	219,863	(233,485)	
Indirect costs	41,428	21,700	(19,728)	Finding 1, 2
Total direct and indirect costs	494,776	241,563	(253,213)	
Less offsetting reimbursements	(116,080)	(70,182)	45,898	Finding 4
Total program cost	<u>\$ 378,696</u>	171,381	<u>\$ (207,315)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 171,381</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
Summary: July 1, 1998, through June 30, 2004				
Direct Costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 380,616	\$ 61,303	\$ (319,313)	
Test materials, supplies, and equipment	996	705	(291)	
Pre-test and post-test coordination	760,283	409,473	(350,810)	
Test administration	296,218	177,225	(118,993)	
Reporting and recordkeeping	309,292	192,036	(117,256)	
Total salaries and benefits	1,747,405	840,742	(906,663)	
Materials and supplies:				
Training, policies, and procedures	319,718	16,509	(303,209)	
Test materials, supplies, and equipment	229,877	162,730	(67,147)	
Test administration	1,958	1,245	(713)	
Reporting and recordkeeping	260,599	158,776	(101,823)	
Total materials and supplies	812,152	339,260	(472,892)	
Contract services:				
Reporting and recordkeeping	3,571	—	(3,571)	
Total direct costs	2,563,128	1,180,002	(1,383,126)	
Indirect costs	237,433	112,000	(125,433)	
Total direct and indirect costs	2,800,561	1,292,002	(1,508,559)	
Less offsetting reimbursements	(777,715)	(590,384)	187,331	
Total direct and indirect costs	2,022,846	701,618	(1,321,228)	
Less late filing penalty	—	(25,820)	(25,820)	
Total program cost	\$ 2,022,846	675,798	\$ (1,347,048)	
Less amount paid by the State		(1,083,477)		
Allowable costs claimed in excess of (less than) amount paid		\$ (407,679)		

¹ See the Findings and Recommendations section.

² Government Code section 17561, subdivision (d)(3), assesses a 10% late penalty (with no maximum) on allowable costs of initial reimbursement claims submitted on or after September 30, 2002, and within one year after the filing deadline specified in Government Code section 17560. The FY 1998-99 through FY 2001-02 claims were initial reimbursement claims submitted after September 30, 2002, and after the filing deadline specified in Government Code section 17560.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

⁴ The district submitted the FY 2001-02 initial reimbursement claim by the filing deadline specified in Government Code section 17560 and amended it within one year after the filing deadline. Allowable costs do not exceed the amount claimed by the filing deadline for FY 2001-02. Therefore, there is no late claim penalty.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$1,747,405 in salaries and benefits and \$164,666 in related indirect costs for the audit period. We determined that \$840,742 in salaries and benefits is allowable and \$906,663 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported and ineligible costs. Related unallowable indirect costs totaled \$85,205.

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

Cost Categories	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and Benefits:							
Training, policies, and procedures	\$ (52,073)	\$ (31,503)	\$ (77,423)	\$ (101,865)	\$ (6,418)	\$ (50,031)	\$ (319,313)
Test materials, supplies, and equipment	(291)	-	-	-	-	-	(291)
Pre-test and post-test coordination	(14,035)	(12,240)	(25,691)	(26,148)	(145,746)	(126,950)	(350,810)
Test administration	(12,597)	(15,749)	(37,805)	(24,813)	(10,523)	(17,506)	(118,993)
Reporting and recordkeeping	(14,141)	(10,894)	(25,437)	(47,201)	(2,187)	(17,396)	(117,256)
Total salaries and benefits	(93,137)	(70,386)	(166,356)	(200,027)	(164,874)	(211,883)	(906,663)
Related indirect costs	(9,034)	(7,700)	(16,252)	(15,182)	(16,124)	(20,913)	(85,205)
Total audit adjustments	\$ (102,171)	\$ (78,086)	\$ (182,608)	\$ (215,209)	\$ (180,998)	\$ (232,796)	\$ (991,868)

Unsupported and Ineligible Costs

The district provided Mandated Cost Activity Logs to support the hours claimed for activities under the salary and benefits component. The activity logs identified hours claimed for each employee by reimbursable activities for each component. We reconciled the activity logs to the claimed hours. We accepted all hours supported with corroborating documentation that met the reimbursable requirements of the mandated program. Review of supporting documentation revealed that the district claimed unsupported and ineligible salaries and benefits costs totaling \$391,065 for the audit period.

The following table summarizes the unallowable salaries and benefits at the claimed productive hourly rates (PHR) that resulted from unsupported and ineligible hours reported on the Mandated Cost Activity Logs:

Cost Categories	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and Benefits:							
Training, policies, and procedures	\$ (48,311)	\$ (27,818)	\$ (70,722)	\$ (95,181)	\$ (1,448)	\$ (41,196)	\$ (284,676)
Pre-test and post-test coordination	(6,199)	(1,421)	(1,799)	(55)	(67,430)	(1,052)	(77,956)
Test administration	(1,103)	(3,223)	(6,944)	(487)	(6,709)	(1,130)	(19,596)
Reporting and recordkeeping	(1,257)	(1,436)	(2,525)	(1,405)	(1,719)	(495)	(8,837)
Audit Adjustment	\$ (56,870)	\$ (33,898)	\$ (81,990)	\$ (97,128)	\$ (77,306)	\$ (43,873)	\$ (391,065)

For training, policies, and procedures the district claimed ineligible training hours in each fiscal year, exceeding a one-time training per employee requirement of the mandated program.

For pre-test and post-test coordination, test administration, and reporting and recordkeeping components, the district reported unsupported costs.

Reimbursable Percentage

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

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); Stanford Achievement Test, Ninth Edition (SAT/9); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately identifying costs by individual test. Consequently, the district claimed costs not reimbursable under the mandate.

To segregate reimbursable costs, we determined the percentages of the tests that related to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represented the ratio of mandated tests divided by all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 70.79 % for FY 1998-99; 70.17% for FY 1999-00; 62.51% for FY 2000-01; 63.15% for FY 2001-02; 61.88% for FY 2002-03; and 60.46% for FY 2003-04.

The following table summarizes unallowable salaries and benefits at the claimed PHRs related to the non-reimbursable portion of the STAR tests, totaling \$496,205 for the audit period:

Cost Categories	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and Benefits:							
Training, policies, and procedures	\$ (3,762)	\$ (3,685)	\$ (6,701)	\$ (6,684)	\$ (4,970)	\$ (8,558)	\$ (34,360)
Test materials, supplies, and equipment	(291)	-	-	-	-	-	(291)
Pre-test and post-test coordination	(7,836)	(10,819)	(23,892)	(26,093)	(78,316)	(110,418)	(257,374)
Test administration	(11,494)	(12,526)	(30,861)	(24,326)	(3,814)	(14,611)	(97,632)
Reporting and recordkeeping	(12,884)	(9,458)	(22,912)	(45,796)	(468)	(15,030)	(106,548)
Audit Adjustment	\$ (36,267)	\$ (36,488)	\$ (84,366)	\$ (102,899)	\$ (87,568)	\$ (148,617)	\$ (496,205)

Productive Hourly Rates

The district claimed misstated PHRs for FY 2003-04 totaling \$19,393. We calculated a productive hourly rate for a sample of employees for FY 2003-04 and applied the rate to the allowable hours. The unallowable amount was calculated based on employees tested not extrapolated to the entire population.

The parameters and guidelines, (section V.A.1, Claim Preparation and Submission – Direct Cost Reporting – Salaries and Benefits) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines, (section VI.A, Supporting Data – Source Documents) state:

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but not limited to worksheets, employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities . . .

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

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

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and are properly supported with source documents.

District's Response

Finding 1 – Unallowable salaries and benefits

The preliminary finding states that the district claimed \$1,747,405 in salaries and benefits for the audit period (\$840,745 was determined to be allowable and \$906,660 unallowable). This preliminary finding also states that the district claimed excessive training each fiscal year.

The district disputes this finding. We believe that the actual time spent by each employee under the training component should be allowed. We believe this to be reasonable within the scope of what is considered to be reimbursable component because the activities covered in the training are not duplicated in other training sessions – in essence, what was actually reported was training that occurred one time and was not covered more than once per person and fit the categories allowed by law (Training, policies, and procedures, Test materials, supplies and equipment, Pre-test and post-test coordination, Reporting and recordkeeping). Also, because the auditors are already applying a set reimbursable percentage to each year's claims based on the number of reimbursable STAR tests taken, this reimbursable percent would correct for any time spent training on non-reimbursable STAR tests such as the California Standards Test (CST), California Alternate Performance Assessment (CAPA), and California Modified Assessment (CMA).

SCO's Comment

Our finding and recommendation are unchanged.

The district disagrees with unallowable training costs exceeding a one-time training per employee requirement of the mandated program. The district believes that the actual time spent by each employee under the training component should be allowed. The district also believes that the activities covered in the training are not duplicated in other training sessions.

The parameters and guidelines, (section IV.A) specifically identify a training reimbursement requirement limited to one-time activity per employee per test site. During fieldwork, the district's documentation supported that it was reasonable for the district to claim a *one-time* training per employee per *fiscal year* to update testing coordinators on new law changes and train new site coordinators. These hours were allowable in the audit report. Any additional training hours are not reimbursable.

**FINDING 2—
Overstated materials
and supplies**

The district claimed \$812,152 in material and supplies and \$72,767 in related indirect costs for the audit period. Our audit determined that \$339,260 in materials and supplies costs is allowable and \$472,892 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported and ineligible costs. Related unallowable indirect costs totaled \$40,228.

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

Cost Categories	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and Supplies:							
Training, policies, and procedures	\$ (326)	\$ (160,628)	\$ (134,185)	\$ (4,498)	\$ (2,374)	\$ (1,198)	\$ (303,209)
Test materials, supplies, and equipment	(67,147)	-	-	-	-	-	(67,147)
Test administration	-	(80)	(633)	-	-	-	(713)
Reporting and recordkeeping	(12,711)	(10,682)	(27,840)	(16,701)	(17,056)	(16,833)	(101,823)
Total materials and supplies	(80,184)	(171,390)	(162,658)	(21,199)	(19,430)	(18,031)	(472,892)
Related indirect costs	(7,778)	(18,750)	(15,892)	(1,609)	2,616	1,185	(40,228)
Total audit adjustments	<u>\$ (87,962)</u>	<u>\$ (190,140)</u>	<u>\$ (178,550)</u>	<u>\$ (22,808)</u>	<u>\$ (16,814)</u>	<u>\$ (16,846)</u>	<u>\$ (513,120)</u>

Review of supporting documentation revealed that the district claimed unsupported and ineligible materials and supplies costs totaling \$309,786 for the audit period (\$160,237 ineligible costs and \$149,549 unsupported costs).

For the test materials, supplies, and equipment component, the district claimed unallowable costs totaling \$160,237 for FY 1999-2000. The costs claimed were for classroom planning guides purchased in the amounts of \$132,456 and \$27,781. The documentation provided did not show any relation to STAR testing activities. Therefore, the costs totaling \$160,237 are unallowable.

We also calculated what portion of the allowable materials and supplies costs was attributed to the STAR tests that are reimbursable under the mandate. The mandate-related allowable amounts were calculated by applying the reimbursable ratio as identified in Finding 1. The application of the mandate-related percentage resulted in the audit adjustment totaling \$163,106 for the audit period.

The parameters and guidelines (section V.A.2, Claim Preparation and Submission – Direct Cost Reporting – Materials and Supplies) state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (sections VI.A, Supporting Data – Source Documents) state:

...all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but not limited to worksheets,

employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities ...

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and are properly supported with source documents.

District's Response

The district does not contest this finding.

FINDING 3— Overstated contract services

The district claimed \$3,571 in contract services costs for FY 2003-04. We determined that the entire cost is unallowable. The unallowable costs occurred because the district did not provide any source documentation to support cost claimed.

The parameters and guidelines (section VI, Supporting Data) state:

For audit purposes, all costs shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars', and declarations) that show evidence of the validity of such costs and their relationship to the state mandate program.

The parameters and guidelines (section V.A.3, Claim Preparation and Submission – Direct Cost Reporting – Contracted Services) state:

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and are properly supported with source documents.

District's Response

The district does not contest this finding.

**FINDING 4—
Overstated offsetting
reimbursements**

The district overstated offsetting reimbursements totaling a net amount of \$187,331 for the audit period (overstated by \$257,849 and understated by \$70,518).

The district did not report the mandate-related portion of annual STAR apportionments it received from the CDE. We calculated the misstated reimbursement by:

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

The following table summarizes the misstated offsetting reimbursements by fiscal year:

	Fiscal Year						Total
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursements apportionments:							
CDE apportionments	\$ 326,157	\$ 109,199	\$ 112,963	\$ 113,316	\$ 113,960	\$ 116,080	\$ 891,675
Mandate-related percentage	(70.79)%	(70.17)%	(62.51)%	(63.15)%	(61.88)%	(60.46)%	
Audited apportionments	(230,887)	(76,625)	(70,613)	(71,559)	(70,518)	(70,182)	\$(590,384)
Claimed CDE apportionments	326,157	109,199	112,963	113,316	-	116,080	777,715
Audit Adjustment	\$ 95,270	\$ 32,574	\$ 42,350	\$ 41,757	\$ (70,518)	\$ 45,898	\$ 187,331

The parameters and guidelines (section VII, Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from the claim.

Recommendation

We recommend that the district ensure that all applicable reimbursements are offset on its claims against its mandated program costs.

District's Response

The district does not contest this finding.

Other issue

In response to the calculation of late filing penalties, the district stated the following:

We respectfully request that the originally reported late penalty amounts for the 1998/99 through 2001/02 claims be recalculated to 10% of what the auditor determines to be the final allowable costs for each of these years instead of 10% of the originally filed claim amounts for these years.

SCO's Comment

We did calculate the late filing penalty amounts on allowable costs in both the draft and final reports, in accordance with Government Code section 17561.

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



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March 21, 2013

Erica Velasquez, Auditor
State Controller's Office
Division of Audits, Mandated Cost Audits Bureau
3301 C Street, Suite 725
Sacramento, CA 95816

SUBJECT: San Francisco Unified School District
Standardized Testing and Reporting (STAR) Program
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 1998/99 through 2003/04

This letter is written in response to the preliminary Standardized Testing and Reporting (STAR) audit results.

FINDING 1 – Unallowable salaries and benefits

The preliminary finding states that the district claimed \$1,747,405 in salaries and benefits for the audit period (\$840,745 was determined to be allowable and \$906,660 unallowable). This preliminary finding also states that the district claimed excessive training each fiscal year. The auditors state the following:

"Excessive training hours were claimed for all fiscal years of the audit period. Per parameters and guidelines, only one time activity per employee per test site is allowed. Training was provided twice a year for the STAR testing site coordinators, at the elementary, middle, and high school levels. The first training was provided in fall to go over previous fiscal year's testing results and current year's testing dates. The second training was provided in the spring to go over law changes from previous year and general testing protocol for that school year. We determined that it was reasonable for the district to claim a one-time brief training per employee per fiscal year to update testing coordinators on new law changes and train new site coordinators. The allowable training time length was determined by reviewing training agenda for spring training of FY 2003-04. The training related to STAR testing was a total of 3 hours long; therefore, we determined that it was reasonable to allow up to 3 hours of training per employee claimed per fiscal year. If less than 3 hours were claimed for an employee, only claimed hours were allowed. The total allowable hours were then applied to the audited productive hourly rates to determine the total cost for each fiscal year."

The district disputes this finding. We believe that the actual time spent by each employee under the training component should be allowed. We believe this to be reasonable and within the scope of what is considered to be a reimbursable component because the activities covered in the training are not duplicated in other training sessions – in essence, what was actually reported was training that occurred one time and was not covered more than once per person and fit the categories allowed by law (Training, policies, and procedures, Test materials, supplies, and equipment, Pre-test and post-test coordination, Reporting and recordkeeping). Also, because the auditors are already applying a set reimbursable percentage to each year's claims based on the number of reimbursable STAR tests taken, this reimbursable percent would correct for any time spent training on non-reimbursable STAR tests such as the California Standards Tests (CST), California Alternate Performance Assessment (CAPA), and California Modified Assessment (CMA).

FINDING 2 – Overstated materials and supplies

The district does not contest the finding.

FINDING 3 – Overstated contract services

The district does not contest the finding.

FINDING 4 – Overstated indirect cost

The district has no contest pending the outcome of the results of Finding 1.

FINDING 5 – Overstated offsetting reimbursements

The district does not contest the finding.

LATE PENALTY – Claim adjustment for fiscal years 1998/00 through 2000/01

Claimants are allowed to file an initial reimbursement claim within one year after the initial filing deadline, subject to a 10% late filing penalty on allowable costs. We respectfully request that the originally reported late penalty amounts for the 1998/99 through 2001/02 claims be recalculated to 10% of what the auditor determines to be the final allowable costs for each of these years instead of 10% of the originally filed claim amounts for these years.

Thank you for allowing San Francisco Unified School District to respond to these preliminary audit results. It is our hope that you will take our responses into consideration when issuing the final audit results.

Sincerely,



Joseph C. Grazioli

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