

SAVANNA SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2004



JOHN CHIANG
California State Controller

October 2011



JOHN CHIANG
California State Controller

October 26, 2011

Edward Erdtsieck
President, Board of Trustees
Savanna School District
1330 S. Knott Avenue
Anaheim, CA 92804

Dear Mr. Erdtsieck:

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

The district claimed \$769,197 for the mandated program. Our audit disclosed that \$419,731 is allowable and \$349,466 is unallowable. The costs are unallowable primarily because the district claimed ineligible costs and costs that did not agree with detailed time records. The State paid the district \$49,700. The State will pay allowable costs claimed that exceed the amount paid, totaling \$370,031, contingent upon available appropriations.

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: Sue Johnson, Ed.D., Superintendent
Savanna School District
Eric Fano, Accountant
Savanna School District
William M. Habermehl, County Superintendent of Schools
Orange 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, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

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

The district claimed \$769,197 for the mandated program. Our audit disclosed that \$419,731 is allowable and \$349,466 is unallowable. The costs are unallowable primarily because the district claimed ineligible costs and costs that did not agree with detailed time records. The State paid the district \$49,700. The State will pay allowable costs claimed that exceed the amount paid, totaling \$370,031, contingent upon available appropriations.

Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630 and added Education Codes sections 60640-60641, and 60643. Chapter 8282, 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 testings that school districts must administer to pupils in the State.

The STAR program requires school districts, between March 15 and May 15 each year, to test all students in grades 2 through 11 with a nationally normed achievement test as 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 fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test—the Spanish Assessment of Basic Education, Second Edition (SABE/2)—to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state lower 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 the legislation 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 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.

**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, 1997, 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 disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Savanna School District claimed \$769,197 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$419,731 is allowable and \$349,466 is unallowable.

The State paid the district \$49,700. The State will pay allowable costs claimed that exceed the amount paid, totaling \$370,031, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on September 29, 2011. Eric Fano, Accountant, responded by e-mail dated October 7, 2011, accepting the audit results without comment.

Restricted Use

This report is solely for the information and use of the Savanna School District, the Orange 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

October 26, 2011

**Schedule 1—
Summary of Program Costs
July 1, 1997, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1997 through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 32,328	\$ 21,643	\$ (10,685)	Finding 1
Test materials, supplies, and equipment	4,138	1,612	(2,526)	Finding 1
Pre-test and post-test coordination	18,885	43,568	24,683	Finding 1
Test administration	19,325	4,264	(15,061)	Finding 1
Reporting and recordkeeping	12,896	4,550	(8,346)	Finding 1
Total salaries and benefits	<u>87,572</u>	<u>75,637</u>	<u>(11,935)</u>	
Materials and supplies:				
Training, policies, and procedures	—	68	68	Finding 2
Test materials, supplies, and equipment	—	7,121	7,121	Finding 2
Reporting and recordkeeping	587	693	106	Finding 2
Total materials and supplies	<u>587</u>	<u>7,882</u>	<u>7,295</u>	
Travel and Training:				
Training, policies, and procedures	63	63	—	
Total direct costs	88,222	83,582	(4,640)	
Indirect costs	7,270	6,954	(316)	Finding 3
Total direct and indirect costs	95,492	90,536	(4,956)	
Less offsetting reimbursements	—	(13,380)	(13,380)	Finding 4
Total program costs	<u>\$ 95,492</u>	<u>77,156</u>	<u>\$ (18,336)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 77,156</u>		
<u>July 1, 1998 through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 33,099	\$ 2,985	\$ (30,114)	Finding 1
Test materials, supplies, and equipment	4,237	1,175	(3,062)	Finding 1
Pre-test and post-test coordination	20,716	32,652	11,936	Finding 1
Test administration	19,786	2,954	(16,832)	Finding 1
Reporting and recordkeeping	14,142	3,346	(10,796)	Finding 1
Total salaries and benefits	<u>91,980</u>	<u>43,112</u>	<u>(48,868)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	7,518	—	(7,518)	Finding 2
Reporting and recordkeeping	587	502	(85)	Finding 2
Total materials and supplies	<u>8,105</u>	<u>502</u>	<u>(7,603)</u>	
Travel and Training:				
Training, policies, and procedures	63	63	—	
Total direct costs	100,148	43,677	(56,471)	
Indirect costs	8,252	2,057	(6,195)	Finding 3
Total direct and indirect costs	108,400	45,734	(62,666)	
Less offsetting reimbursements	—	(8,665)	(8,665)	Finding 4
Total program costs	<u>\$ 108,400</u>	<u>37,069</u>	<u>\$ (71,331)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 37,069</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999 through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 33,907	\$ 2,906	\$ (31,001)	Finding 1
Test materials, supplies, and equipment	4,340	1,191	(3,149)	Finding 1
Pre-test and post-test coordination	21,223	33,317	12,094	Finding 1
Test administration	20,270	3,554	(16,716)	Finding 1
Reporting and recordkeeping	14,488	3,462	(11,026)	Finding 1
Total salaries and benefits	<u>94,228</u>	<u>44,430</u>	<u>(49,798)</u>	
Materials and supplies:				
Training, policies, and procedures	—	70	70	Finding 2
Test materials, supplies, and equipment	5,492	—	(5,492)	Finding 2
Reporting and recordkeeping	588	514	(74)	Finding 2
Total materials and supplies	<u>6,080</u>	<u>584</u>	<u>(5,496)</u>	
Travel and Training:				
Training, policies, and procedures	63	63	—	
Total direct costs	100,371	45,077	(55,294)	
Indirect costs	8,271	2,245	(6,026)	Finding 3
Total direct and indirect costs	108,642	47,322	(61,320)	
Less offsetting reimbursements	—	(2,961)	(2,961)	Finding 4
Total program costs	<u>\$ 108,642</u>	44,361	<u>\$ (64,281)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 44,361</u>		
<u>July 1, 2000 through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 34,753	\$ 4,642	\$ (30,111)	Finding 1
Test materials, supplies, and equipment	4,449	1,321	(3,128)	Finding 1
Pre-test and post-test coordination	21,751	40,368	18,617	Finding 1
Test administration	20,774	4,384	(16,390)	Finding 1
Reporting and recordkeeping	14,849	4,142	(10,707)	Finding 1
Total salaries and benefits	<u>96,576</u>	<u>54,857</u>	<u>(41,719)</u>	
Materials and supplies:				
Training, policies, and procedures	—	44	44	Finding 2
Test materials, supplies, and equipment	15,573	—	(15,573)	Finding 2
Reporting and recordkeeping	587	520	(67)	Finding 2
Total materials and supplies	<u>16,160</u>	<u>564</u>	<u>(15,596)</u>	
Travel and Training:				
Training, policies, and procedures	63	63	—	
Total direct costs	112,799	55,484	(57,315)	
Indirect costs	9,295	4,572	(4,723)	Finding 3
Total direct and indirect costs	122,094	60,056	(62,038)	
Less offsetting reimbursements	—	(2,794)	(2,794)	Finding 4
Total program costs	<u>\$ 122,094</u>	57,262	<u>\$ (64,832)</u>	
Less amount paid by the State		(49,700)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,562</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	\$ 35,624	\$ 6,440	\$ (29,184)	Finding 1
Test materials, supplies, and equipment	4,560	1,447	(3,113)	Finding 1
Pre-test and post-test coordination	22,298	57,257	34,959	Finding 1
Test administration	21,298	4,760	(16,538)	Finding 1
Reporting and recordkeeping	15,222	2,997	(12,225)	Finding 1
Total salaries and benefits	<u>99,002</u>	<u>72,901</u>	<u>(26,101)</u>	
Materials and supplies:				
Training, policies, and procedures	—	58	58	Finding 2
Test materials, supplies, and equipment	5,484	—	(5,484)	Finding 2
Reporting and recordkeeping	588	572	(16)	Finding 2
Total materials and supplies	<u>6,072</u>	<u>630</u>	<u>(5,442)</u>	
Travel and Training:				
Training, policies, and procedures	63	63	—	
Total direct costs	105,137	73,594	(31,543)	
Indirect costs	5,246	3,672	(1,574)	Finding 3
Total direct and indirect costs	110,383	77,266	(33,117)	
Less offsetting reimbursements	—	(3,019)	(3,019)	Finding 4
Total program costs	<u>\$ 110,383</u>	<u>74,247</u>	<u>\$ (36,136)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 74,247</u>		
<u>July 1, 2002 through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 53,582	\$ 6,294	\$ (47,288)	Finding 1
Test materials, supplies, and equipment	4,806	966	(3,840)	Finding 1
Pre-test and post-test coordination	70,428	63,818	(6,610)	Finding 1
Test administration	27,905	2,919	(24,986)	Finding 1
Reporting and recordkeeping	10,012	2,984	(7,028)	Finding 1
Total salaries and benefits	<u>166,733</u>	<u>76,981</u>	<u>(89,752)</u>	
Materials and supplies:				
Training, policies, and procedures	—	47	47	Finding 2
Reporting and recordkeeping	781	579	(202)	Finding 2
Total materials and supplies	<u>781</u>	<u>626</u>	<u>(155)</u>	
Total direct costs	167,514	77,607	(89,907)	
Indirect costs	3,032	1,405	(1,627)	Finding 3
Total direct and indirect costs	170,546	79,012	(91,534)	
Less offsetting reimbursements	—	(3,016)	(3,016)	Finding 4
Total program costs	<u>\$ 170,546</u>	<u>75,996</u>	<u>\$ (94,550)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 75,996</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2003 through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 13,224	\$ 2,709	\$ (10,515)	Finding 1
Test materials, supplies, and equipment	2,505	2,006	(499)	Finding 1
Pre-test and post-test coordination	12,943	65,405	52,462	Finding 1
Test administration	7,406	2,730	(4,676)	Finding 1
Reporting and recordkeeping	14,775	3,099	(11,676)	Finding 1
Total salaries and benefits	<u>50,853</u>	<u>75,949</u>	<u>25,096</u>	
Materials and supplies:				
Training, policies, and procedures	—	46	46	Finding 2
Reporting and recordkeeping	—	549	549	Finding 2
Total materials and supplies	<u>—</u>	<u>595</u>	<u>595</u>	
Total direct costs	<u>50,853</u>	<u>76,544</u>	<u>25,691</u>	
Indirect costs	<u>2,787</u>	<u>4,195</u>	<u>1,408</u>	Finding 3
Total direct and indirect costs	<u>53,640</u>	<u>80,739</u>	<u>27,099</u>	
Less offsetting reimbursements	—	(2,878)	(2,878)	Finding 4
Less allowable costs that exceed costs claimed ²	—	(24,221)	(24,221)	
Total program costs	<u>\$ 53,640</u>	<u>53,640</u>	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 53,640</u>		
<u>Summary: July 1, 1997 through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 236,517	\$ 47,619	\$ (188,898)	
Test materials, supplies, and equipment	29,035	9,718	(19,317)	
Pre-test and post-test coordination	188,244	336,385	148,141	
Test administration	136,764	25,565	(111,199)	
Reporting and recordkeeping	96,384	24,580	(71,804)	
Total salaries and benefits	<u>686,944</u>	<u>443,867</u>	<u>(243,077)</u>	
Materials and supplies:				
Training, policies, and procedures	—	333	333	
Test materials, supplies, and equipment	34,067	7,121	(26,946)	
Reporting and recordkeeping	3,718	3,929	211	
Total materials and supplies	<u>37,785</u>	<u>11,383</u>	<u>(26,402)</u>	
Travel and Training:				
Training, policies, and procedures	315	315	—	
Total direct costs	<u>725,044</u>	<u>455,565</u>	<u>(269,479)</u>	
Indirect costs	<u>44,153</u>	<u>25,100</u>	<u>(19,053)</u>	
Total direct and indirect costs	<u>769,197</u>	<u>480,665</u>	<u>(288,532)</u>	
Less offsetting reimbursements	—	(36,713)	(36,713)	
Less allowable costs that exceed costs claimed ²	—	(24,221)	(24,221)	
Total program costs	<u>\$ 769,197</u>	<u>419,731</u>	<u>\$ (349,466)</u>	
Less amount paid by the State		(49,700)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 370,031</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2003-04.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$686,944 in salaries and benefits for the audit period. Our audit determined that \$443,867 is allowable and \$243,077 is unallowable. The unallowable costs occurred because the district claimed ineligible costs and costs that did not agree with detailed time records.

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

Cost Category	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ (10,685)	\$ (30,114)	\$ (31,001)	\$ (30,111)	\$ (29,184)	\$ (47,288)	\$ (10,515)	\$(188,898)
Test materials, supplies, and equipment	(2,526)	(3,062)	(3,149)	(3,128)	(3,113)	(3,840)	(499)	(19,317)
Pre-test and post-test coordination	24,683	11,936	12,094	18,617	34,959	(6,610)	52,462	148,141
Test administration	(15,061)	(16,832)	(16,716)	(16,390)	(16,538)	(24,986)	(4,676)	(111,199)
Reporting and recordkeeping	(8,346)	(10,796)	(11,026)	(10,707)	(12,225)	(7,028)	(11,676)	(71,804)
Audit adjustment	<u>\$ (11,935)</u>	<u>\$ (48,868)</u>	<u>\$ (49,798)</u>	<u>\$ (41,719)</u>	<u>\$ (26,101)</u>	<u>\$ (89,752)</u>	<u>\$ 25,096</u>	<u>\$(243,077)</u>

STAR Summary Reports

The district claimed costs based on summary reports developed by the district coordinator using an average productive hourly rate. The summary reports identified hours by employee classifications that participated in STAR testing for each fiscal year. The summary reports identified hours by components rather than by reimbursable activities within each component.

Analysis of Allowable Hours

During the audit, the district detailed the hours by individuals and activities. We allowed hours supported with corroborating documentation. For pre-test and post-test coordination, the district supported more hours than reported in the claims. We calculated a productive hourly rate for each individual employee and applied the rate to allowable hours.

Reimbursable Percentage

The district claimed salary and benefits costs for administering the following STAR tests: (1) California Standards Tests (CST); (2) California Alternate Performance Assessment (CAPA); (3) California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and (4) Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately identifying costs by individual test. Consequently, the district claimed co-mingled costs not reimbursable under the mandate.

To segregate reimbursable costs, the district 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 over all STAR tests administered in the district. We applied the reimbursable percentages to allowable and supported costs. The reimbursable percentages for mandated costs were as follows: 100% for FY 1997-98; 66.2% for FY 1998-99; 66.4% for FY 1999-2000; 64.0% for FY 2000-01; 66.2% for FY 2001-02; 66.7% for FY 2002-03; and 64.7% for FY 2003-04.

The program's parameters and guidelines (section VI.A) state:

... all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. . . .

The parameters and guidelines (section V.A.1) 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.

Recommendation

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

District's Response

The district accepted the audit results without comment in an e-mail dated October 7, 2011.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 2— Overstated materials and supplies costs

The district claimed \$37,785 in materials and supplies for the audit period. Our audit determined that \$11,383 is allowable and \$26,402 is unallowable.

For training, policies, and procedures costs, the district understated costs totaling \$333 for the audit period. Those costs related to photocopies for training materials. The costs were understated because the district did not claim any costs for FY 1997-98, and FY 1999-2000 through FY 2003-04.

For test materials, supplies, and equipment costs, the district overstated cost totaling \$26,946 for the audit period related to testing materials. For FY 1997-98, the district did not claim costs for test materials, and subsequently, understated costs by \$7,121. For FY 1998-99 through FY 2000-01, the district claimed unallowable test materials, supplies, and

equipment costs totaling \$21,461. For FY 2000-01 and FY 2001-02, the district claimed unsupported costs totaling \$12,606.

For reporting and recordkeeping, the district understated costs totaling \$211 for the audit period. Those costs related to mailing student test results to parents.

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

Cost Category	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Training, policies, and procedures	\$ 68	\$ —	\$ 70	\$ 44	\$ 58	\$ 47	\$ 46	\$ 333
Test materials, supplies, and equipment	7,121	(7,518)	(5,492)	(15,573)	(5,484)	—	—	(26,946)
Reporting and recordkeeping	106	(85)	(74)	(67)	(16)	(202)	549	211
Audit adjustment	\$ 7,295	\$ (7,603)	\$ (5,496)	\$ (15,596)	\$ (5,442)	\$ (155)	\$ 595	\$ (26,402)

The parameters and guidelines (sections IV.E.) state:

The cost of materials and supplies used for reports (including, paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

The parameters and guidelines (sections V.A.2.) 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) 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 that the costs are properly supported with source documents.

District's Response

The district accepted the audit results without comment in an e-mail dated October 7, 2011.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Overstated indirect
costs**

The district claimed \$44,153 in indirect costs for the audit period. Our audit determined that \$25,100 is allowable and \$19,053 is unallowable. The overstatement totaling \$16,108 occurred as a result of the unallowable direct costs identified in Findings 1 and 2. The district also overstated indirect costs totaling \$2,945 because it erroneously claimed incorrect indirect cost rates in FY 1997-98, FY 1998-99, and FY 1999-2000.

The following table summarizes the indirect cost rate variances and indirect cost calculations by fiscal year:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Indirect cost rates:								
Allowable indirect cost rate	8.32%	4.71%	4.98%	8.24%	4.99%	1.81%	5.48%	
Claimed indirect cost rate	(8.24)%	(8.24)%	(8.24)%	(8.24)%	(4.99)%	(1.81)%	(5.48)%	
Indirect rate adjustments	0.08%	(3.53)%	(3.26)%	0.00%	0.00%	0.00%	0.00%	
Indirect costs:								
Allowable direct costs	\$ 83,582	\$ 43,677	\$ 45,077	\$ 55,484	\$ 73,594	\$ 77,607	\$ 76,544	\$ 455,565
Allowable indirect rate	× 8.32%	× 4.71%	× 4.98%	× 8.24%	× 4.99%	× 1.81%	× 5.48%	
Allowable indirect costs	\$ 6,954	\$ 2,057	\$ 2,245	\$ 4,572	\$ 3,672	\$ 1,405	\$ 4,195	\$ 25,100
Claimed indirect costs	(7,270)	(8,252)	(8,271)	(9,295)	(5,246)	(3,032)	(2,787)	(44,153)
Audit adjustment	\$ (316)	\$ (6,195)	\$ (6,026)	\$ (4,723)	\$ (1,574)	\$ (1,627)	\$ 1,408	\$ (19,053)

The parameters and guidelines, (section V.B.) state:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

Recommendation

We recommend that the district ensure that indirect rates it claims agree with CDE-approved rates and that indirect costs are mandate related and appropriately supported.

District's Response

The district accepted the audit results without comment in an e-mail dated October 7, 2011.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 4—
Understated
offsetting
reimbursements**

The district understated offsetting reimbursements totaling \$36,713 for the audit period.

The district did not identify the portion of annual STAR apportionments it received from the CDE and did not reduce the offsetting reimbursements by the mandate portion. Subsequently, the district understated the mandate portion of STAR apportionments totaling \$36,713 for the audit period.

The following table summarizes the understated offsetting reimbursements related to STAR apportionments by fiscal year:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursement apportionments:								
CDE apportionments	\$ 13,380	\$ 13,089	\$ 4,460	\$ 4,366	\$ 4,561	\$ 4,522	\$ 4,448	\$ 48,826
Mandate-related percentage	× (100)%	× (66.2)%	× (66.4)%	× (64.0)%	× (66.2)%	× (66.7)%	× (64.7)%	
Audited apportionments	(13,380)	(8,665)	(2,961)	(2,794)	(3,019)	(3,016)	(2,878)	\$ (36,713)
Claimed CDE apportionments	—	—	—	—	—	—	—	—
Audit adjustment	\$ (13,380)	\$ (8,665)	\$ (2,961)	\$ (2,794)	\$ (3,019)	\$ (3,016)	\$ (2,878)	\$ (36,713)

The parameters and guidelines (section VII) 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 accepted the audit results without comment in an e-mail dated October 7, 2011.

SCO's Comment

The finding and recommendation remain unchanged.

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

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