

PALM SPRINGS UNIFIED 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

September 2009



JOHN CHIANG
California State Controller

September 9, 2009

Gary Jeandron, President
Board of Education
Palm Springs Unified School District
980 East Tahquitz Canyon Way
Palm Springs, CA 92262-0119

Dear Mr. Jeandron:

The State Controller's Office audited the costs claimed by the Palm Springs Unified 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 \$2,049,691 for the mandated program. Our audit disclosed that \$501,192 is allowable and \$1,548,499 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$501,192, 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/sk:vb

cc: Lorri S. McCune, Ed.D., Superintendent
Palm Springs Unified School District
James Novak, Assistant Superintendent, Business Services
Palm Springs Unified School District
Kenneth M. Young, County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	2
Schedule 1—Summary of Program Costs.....	3
Findings and Recommendations	8
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Palm Springs Unified 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 \$2,049,691 for the mandated program. Our audit disclosed that \$501,192 is allowable and \$1,548,499 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$501,192, contingent upon available appropriations.

Background

Chapter 828, Statutes of 1997, amended Education Code section 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations in the California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing 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 designated by the State Board of Education. School districts administer the Stanford Achievement Test, Ninth Edition (SAT9) 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 Assessments 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 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. 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, the Palm Springs Unified School District claimed \$2,049,691 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$501,192 is allowable and \$1,548,499 is unallowable. The State made no payment to the district. The State will pay allowable costs claimed, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on July 17, 2009. James Novak, Assistant Superintendent, responded by letter dated August 17, 2009 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Palm Springs Unified School District, the Riverside 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

September 9, 2009

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 2,497	\$ 5,273	\$ 2,776	Finding 1
Test materials, supplies, and equipment	941	—	(941)	Finding 1
Pretest and post-test coordination	153,956	90,879	(63,077)	Finding 1
Test administration	1,880	27,687	25,807	Finding 1
Reporting and recordkeeping	98,966	7,630	(91,336)	Finding 1
Total salaries and benefits	<u>258,240</u>	<u>131,469</u>	<u>(126,771)</u>	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	4,004	4,004	Finding 2
Total direct costs	258,240	135,473	(122,767)	
Indirect costs	<u>14,436</u>	<u>7,533</u>	<u>(6,903)</u>	
Total direct and indirect costs	272,676	143,006	(129,670)	
Less offsetting revenues/reimbursements	<u>—</u>	<u>(97,619)</u>	<u>(97,619)</u>	Finding 3
Total program costs	<u>\$ 272,676</u>	45,387	<u>\$ (227,289)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 45,387</u>		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 2,557	\$ 3,674	\$ 1,117	Finding 1
Test materials, supplies, and equipment	964	—	(964)	Finding 1
Pretest and post-test coordination	165,729	69,478	(96,251)	Finding 1
Test administration	1,925	24,213	22,288	Finding 1
Reporting and recordkeeping	106,836	4,596	(102,240)	Finding 1
Total salaries and benefits	<u>278,011</u>	<u>101,961</u>	<u>(176,050)</u>	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	2,993	2,993	Finding 2
Total direct costs	278,011	104,954	(173,057)	
Indirect costs	<u>15,541</u>	<u>5,908</u>	<u>(9,633)</u>	
Total direct and indirect costs	293,552	110,862	(182,690)	
Less offsetting revenues/reimbursements	<u>—</u>	<u>(92,048)</u>	<u>(92,048)</u>	Finding 3
Total program costs	<u>\$ 293,552</u>	18,814	<u>\$ (274,738)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,814</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 2,619	\$ 4,178	\$ 1,559	Finding 1
Test materials, supplies, and equipment	987	—	(987)	Finding 1
Pretest and post-test coordination	178,718	75,920	(102,798)	Finding 1
Test administration	1,972	25,594	23,622	Finding 1
Reporting and recordkeeping	115,526	6,268	(109,258)	Finding 1
Total salaries and benefits	299,822	111,960	(187,862)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	3,242	3,242	Finding 2
Total direct costs	299,822	115,202	(184,620)	
Indirect costs	16,760	6,440	(10,320)	
Total direct and indirect costs	316,582	121,642	(194,940)	
Less offsetting revenues/reimbursements	—	(37,959)	(37,959)	Finding 3
Total program costs	<u>\$ 316,582</u>	83,683	<u>\$ (232,899)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 83,683</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 2,684	\$ 4,437	\$ 1,753	Finding 1
Test materials, supplies, and equipment	1,012	—	(1,012)	Finding 1
Pretest and post-test coordination	193,066	81,484	(111,582)	Finding 1
Test administration	2,021	27,874	25,853	Finding 1
Reporting and recordkeeping	125,133	6,898	(118,235)	Finding 1
Total salaries and benefits	323,916	120,693	(203,223)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	3,245	3,245	Finding 2
Total direct costs	323,916	123,938	(199,978)	
Indirect costs	18,107	7,535	(10,572)	
Total direct and indirect costs	342,023	131,473	(210,550)	
Less offsetting revenues/reimbursements	—	(48,210)	(48,210)	Finding 3
Total program costs	<u>\$ 342,023</u>	83,263	<u>\$ (258,760)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 83,263</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 2,684	\$ 4,845	\$ 2,161	Finding 1
Test materials, supplies, and equipment	1,012	—	(1,012)	Finding 1
Pretest and post-test coordination	215,046	92,398	(122,648)	Finding 1
Test administration	5,135	32,261	27,126	Finding 1
Reporting and recordkeeping	141,558	7,504	(134,054)	Finding 1
Total salaries and benefits	365,435	137,008	(228,427)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	14,645	14,645	Finding 2
Total direct costs	365,435	151,653	(213,782)	
Indirect costs	20,172	8,372	(11,800)	
Total direct and indirect costs	385,607	160,025	(225,582)	
Less offsetting revenues/reimbursements	—	(48,546)	(48,546)	Finding 3
Total program costs	<u>\$ 385,607</u>	111,479	<u>\$ (274,128)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 111,479</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 105,903	\$ 4,877	\$ (101,026)	Finding 1
Test materials, supplies, and equipment	724	—	(724)	Finding 1
Pretest and post-test coordination	124,574	95,387	(29,187)	Finding 1
Test administration	19,271	34,177	14,906	Finding 1
Reporting and recordkeeping	82,322	6,889	(75,433)	Finding 1
Total salaries and benefits	332,794	141,330	(191,464)	Finding 1
Materials and supplies:				
Test materials, supplies, and equipment	48,298	—	(48,298)	Finding 2
Reporting and recordkeeping	—	17,752	17,752	Finding 2
Total materials and supplies	48,298	17,752	(30,546)	Finding 2
Total direct costs	381,092	159,082	(222,010)	
Indirect costs	19,855	8,288	(11,567)	
Total direct and indirect costs	400,947	167,370	(233,577)	
Less offsetting revenues/reimbursements	—	(47,107)	(47,107)	Finding 3
Total program costs	<u>\$ 400,947</u>	120,263	<u>\$ (280,684)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 120,263</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 3,900	\$ 4,798	\$ 898	Finding 1
Test materials, supplies, and equipment	5,615	—	(5,615)	Finding 1
Pretest and post-test coordination	5,846	98,428	92,582	Finding 1
Test administration	4,393	35,920	31,527	Finding 1
Reporting and recordkeeping	16,364	6,944	(9,420)	Finding 1
Total salaries and benefits	36,118	146,090	109,972	Finding 1
Materials and supplies:				
Training, policies, and procedures	2	2	—	Finding 2
Reporting and recordkeeping	2	3,997	3,995	Finding 2
Total materials and supplies	4	3,999	3,995	
Total direct costs	36,122	150,089	113,967	
Indirect costs	2,182	9,065	6,883	
Total direct and indirect costs	38,304	159,154	120,850	
Less offsetting revenues/reimbursements	—	(49,531)	(49,531)	Finding 3
Less allowable costs that exceed claimed costs ²	—	(71,319)	(71,319)	
Total program costs	<u>\$ 38,304</u>	38,304	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,304</u>		
<u>Summary: July 1, 1997, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 122,844	\$ 32,082	\$ (90,762)	
Test materials, supplies, and equipment	11,255	—	(11,255)	
Pretest and post-test coordination	1,036,935	603,974	(432,961)	
Test administration	36,597	207,726	171,129	
Reporting and recordkeeping	686,705	46,729	(639,976)	
Total salaries and benefits	1,894,336	890,511	(1,003,825)	
Materials and supplies:				
Training, policies, and procedures	2	2	—	
Test materials, supplies, and equipment	48,298	—	(48,298)	
Reporting and recordkeeping	2	49,878	49,876	
Total materials and supplies	48,302	49,880	1,578	
Total direct costs	1,942,638	940,391	(1,002,247)	
Indirect costs	107,053	53,140	(53,913)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1997, through June 30, 2004 (continued)</u>				
Total direct and indirect costs	2,049,691	993,531	(1,056,160)	
Less offsetting revenues/reimbursements	—	(421,020)	(421,020)	
Less allowable costs that exceed claimed costs ²	—	<u>(71,319)</u>	<u>(71,319)</u>	
Total program costs	<u>\$ 2,049,691</u>	501,192	<u>\$(1,548,499)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 501,192</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561 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— Unsupported salaries and benefits and related indirect costs

The district claimed \$1,894,336 in salaries and benefits and \$104,535 in related indirect costs. The district did not provide support for salaries and benefits claimed for the audit period. The district claimed ineligible costs of teachers performing normal classroom duties and test materials, supplies, and equipment during non-reimbursable years. In some instances, the district claimed costs of employee classifications without identifying the specific site location. In addition, the district did not claim coordinators who performed reimbursable pretest and post-test coordination activities at each site.

The district claimed salary and benefit 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 test. Consequently, the district claimed costs in excess of the mandated portion of the STAR Program.

We developed alternative methods to determine allowable salaries, benefits, and related indirect costs given the district's inadequate documentation.

We sampled school sites from each category of elementary schools, middle schools, high schools and alternative schools to observe reporting and recordkeeping activities performed by clerical staff. We interviewed site coordinators and verified verbal assertions for pretest and post-test coordination activities. The assertions were supported with calendars, attendance records, sign-in sheets, testing schedules, cumulative files and STAR labels, and security affidavits.

The district accepted the reimbursement methodology we used to calculate allowable salaries, benefits, and related indirect costs. The district developed the reimbursable percentages based on test results published on California Department of Education's STAR Web site for SAT-9, CAT/6, and SABE/2.

Based on the methodologies discussed above, we determined that the district overstated salaries and benefits and related indirect costs by \$1,057,965 for the period of July 1, 1997, through June 30, 2004.

The following table summarizes the overstated claimed costs for salaries and benefits by reimbursable activities and related indirect costs:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ 2,776	\$ 1,117	\$ 1,559	\$ 1,753	\$ 2,161	\$(101,026)	\$ 898	\$ (90,762)
Test materials, supplies, and equipment	(941)	(964)	(987)	(1,012)	(1,012)	(724)	(5,615)	(11,255)
Pretest and post-test coordination	(63,077)	(96,251)	(102,798)	(111,582)	(122,648)	(29,187)	92,582	(432,961)
Test administration	25,807	22,288	23,622	25,853	27,126	14,906	31,527	171,129
Reporting and recordkeeping	(91,336)	(102,240)	(109,258)	(118,235)	(134,054)	(75,433)	(9,420)	(639,976)
Total direct costs	(126,771)	(176,050)	(187,862)	(203,223)	(228,427)	(191,464)	109,972	(1,003,825)
Indirect costs	(7,126)	(9,801)	(10,501)	(10,769)	(12,609)	(9,976)	6,642	(54,140)
Audit adjustment	<u>\$(133,897)</u>	<u>\$(185,851)</u>	<u>\$(198,363)</u>	<u>\$(213,992)</u>	<u>\$(241,036)</u>	<u>\$(201,440)</u>	<u>\$ 116,614</u>	<u>\$(1,057,965)</u>

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. Documents may include, but are not limited to, worksheets, employee time records or 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.D.) state:

Time spent by the classroom teacher during his or her normal classroom for test administration is not reimbursable.

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.

The parameters and guidelines (section IV.B.1.) state:

... Test Materials, Supplies, and Equipment (*Reimbursement period: January 2, 1998 – December 15, 1999*).

Recommendation

We recommend that the district develop and implement policies and procedures to strengthen internal controls over the mandated claim process. The district should ensure that all costs claimed are reimbursable under the parameters and guidelines, and that they are properly supported with traceable source documents.

District's Response

The district agreed with the audit finding.

**FINDING 2—
Misstated materials
and supplies and
related indirect costs**

The district claimed \$48,302 in materials and supplies and \$2,517 in indirect costs for the audit period. Our audit determined that claimed costs were understated by \$1,807 for the reasons noted below.

For FY 1997-98 through FY 2003-04, the district did not claim \$49,876 in reporting and recordkeeping costs related to mailing student test results.

For FY 2002-03, the district overstated claimed costs by \$48,298 because it claimed materials and supplies and related indirect costs for test materials, supplies and equipment, which are no longer eligible for reimbursement as of December 15, 1999.

The following table summarizes the net understatement for materials and supplies and related indirect costs by reimbursable activities:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Test materials, supplies, and equipment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (48,298)	\$ —	\$ (48,298)
Reporting and recordkeeping	4,004	2,993	3,242	3,245	14,645	17,752	3,995	49,876
Total materials and supplies	4,004	2,993	3,242	3,245	14,645	(30,546)	3,995	1,578
Indirect costs	223	168	181	197	809	(1,591)	242	229
Audit adjustment	\$ 4,227	\$ 3,161	\$ 3,423	\$ 3,442	\$ 15,454	\$ (32,137)	\$ 4,237	\$ 1,807

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

The cost of materials and supplies used for reporting (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 (section V.A.2.) state:

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

Recommendation

We recommend that the district ensure that all costs related to the mandated program are properly reported, supported with source documents, and reimbursable under the mandate.

District's Response

The district agreed with the audit finding.

**FINDING 3—
Understated
offsetting revenues/
reimbursements**

The district understated offsetting revenues and other reimbursements on the claim by \$421,020 for the audit period. For FY 1997-98 through FY 2003-04, the district overstated the claims for reimbursement by \$318,810 because it did not deduct the mandated portion of the STAR apportionments received from the California Department of Education (CDE) for the audit period. Additionally, the district did not deduct \$102,210 of salaries, benefits, and related indirect costs claimed for reimbursement that are funded 100% with restricted resource codes.

The following table summarizes the understated offsetting revenues and other reimbursements on the claim:

	Fiscal Year						Total	
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03		2003-04
STAR Program apportionments:								
CDE apportionment	\$ (96,099)	\$ (120,342)	\$ (39,375)	\$ (40,771)	\$ (42,760)	\$ (43,414)	\$ (44,759)	\$ (427,520)
Mandate-related percentage	× 100%	× 70.74%	× 70.58%	× 64.62%	× 65.36%	× 64.04%	× 61.88%	
Mandate-related apportionment	(96,099)	(85,124)	(27,792)	(26,345)	(27,950)	(27,802)	(27,698)	\$ (318,810)
Less claimed CDE apportionment	—	—	—	—	—	—	—	—
Over/(under)stated STAR Program apportionments	<u>\$ (96,099)</u>	<u>\$ (85,124)</u>	<u>\$ (27,792)</u>	<u>\$ (26,345)</u>	<u>\$ (27,950)</u>	<u>\$ (27,802)</u>	<u>\$ (27,698)</u>	<u>\$ (318,810)</u>
Employee cost funded with restricted resources:								
Salaries and benefits funded by restricted funds	\$ (1,440)	\$ (9,267)	\$ (13,642)	\$ (31,897)	\$ (29,861)	\$ (28,653)	\$ (33,271)	\$ (148,031)
Indirect costs	(80)	522	(763)	(1,939)	(1,648)	(1,493)	(2,010)	(8,455)
Subtotal	(1,520)	(9,789)	(14,405)	(33,836)	(31,509)	(30,146)	(35,281)	\$ (156,486)
Reimbursable percentage	× 100%	× 70.74%	× 70.58%	× 64.62%	× 65.36%	× 64.04%	× 61.88%	
Audit adjustment— Unreported restricted funding	<u>\$ (1,520)</u>	<u>\$ (6,924)</u>	<u>\$ (10,167)</u>	<u>\$ (21,865)</u>	<u>\$ (20,596)</u>	<u>\$ (19,305)</u>	<u>\$ (21,833)</u>	<u>\$ (102,210)</u>
Summary of audit adjustment:								
Over/(Under) stated STAR Program apportionments	\$ (96,099)	\$ (85,124)	\$ (27,792)	\$ (26,345)	\$ (27,950)	\$ (27,802)	\$ (27,698)	\$ (318,810)
Unreported restricted funding	(1,520)	(6,924)	(10,167)	(21,865)	(20,596)	(19,305)	(21,833)	(102,210)
Audit adjustment	<u>\$ (97,619)</u>	<u>\$ (92,048)</u>	<u>\$ (37,959)</u>	<u>\$ (48,210)</u>	<u>\$ (48,546)</u>	<u>\$ (47,107)</u>	<u>\$ (49,531)</u>	<u>\$ (421,020)</u>

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, on its claims, all applicable revenues are offset against its mandated program costs.

District's Response

The district agreed with the audit finding.

**FINDING 4—
Board meeting
minutes not provided
and/or not complete**

Board minutes for FY 1999-2000 and FY 2000-01 were not provided. The minutes for FY 1997-98 do not include school-by-school reports as required by the mandate. The FY 2002-03 minutes state that the STAR test results will be reported during the October 2002 meeting; these minutes were not provided. The presentation copies provided for the remaining years show the results were compiled, but the results are not included in the board minutes.

The parameters and guidelines (section E) states:

Reporting the results of the STAR Program tests to the school district governing board or county office of education on a district-wide and school-by-school basis. . . .

Recommendation

We recommend that the district develop and implement policies and procedures to ensure STAR test results are reported to the board and recorded in the board minutes.

District's Response

The district agreed with the audit finding.

**OTHER ISSUE—
Mandated STAR
Program**

In its response to the draft audit report, the district commented on another issue that arose during the audit.

District's Response

The Statement of Decision adopted by the Commission on State Mandates (Commission) in August 2000 concluded the "administration of the STAR Program tests to all pupils in grades 2 thru 11, inclusive" to be eligible for reimbursement. Almost without exception the interpretation of this language led claimants to believe that all tests, and related activities, conducted under the umbrella of the "STAR Program" were eligible for reimbursement. As noted by the SCO audit report this was an overly broad interpretation. However the California Department of Education (CDE), in correspondence to districts regarding STAR apportionments, test administration and reporting, identifies the California Standards Tests (CSTs), California Achievement Test, Sixth Edition Survey (CAT/6 Survey), California Alternate Performance Assessment (CAPA) and Spanish Assessment of Basic Education, Second Edition (SABE/2) as assessments encompassing the "STAR Program." CDE sponsored training session and materials identify the above assessments as components of the "STAR Program." It is reasonable then to assume that school districts considered all of the assessments to comprise the "STAR Program" per CDE direction. An amendment of the P's & G's by the Commission in December 2005 narrowed the scope of reimbursable activities to those only associated with the administration of the CAT/6 test (grade levels three and seven only).

The District takes no exception with the finding that as filed the claimed activities were beyond the scope of the mandate as they are now understood. However it stresses that those activities were related to actual incurred costs for administration of tests widely recognized and defined as included in the STAR testing program and that a reasonable person would conclude those costs to have been allowable.

SCO's Comment

The SCO is aware of the confusion that surrounds the STAR program. The source of the confusion stems from the shared name of the mandated testing program and the California Department of Education's testing program. While the activities comprising both STAR programs are the same, the constituent tests are different. A careful reading of the CSM's Statement of Decision and parameters and guidelines support that the mandate STAR encompasses only the SAT-9 (replaced by the CAT/6) and SABE/2.

As the SCO's audit criteria are the CSM's parameters and guidelines, reimbursement for STAR costs is limited to administering just two tests.

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



PALM SPRINGS UNIFIED SCHOOL DISTRICT

980 EAST TAHQUITZ CANYON WAY
PALM SPRINGS, CALIFORNIA 92262-0119
(760) 416-6000

LORRI S. McCUNE, Ed.D., Superintendent of Schools

BOARD OF EDUCATION: GARY JEANDRON, *President* – JUSTIN BLAKE, *Clerk*
RICHARD CLAPP, *Member* – MEREDY SHOENBERGER, *Member* – SHARI STEWART, *Member*

August 10, 2009

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Palm Springs Unified School District
Standardized Testing and Reporting
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 1997/98 thru 2003/04

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Palm Springs Unified School District (District) for the legislatively mandated Standardized Testing and Reporting (STAR) Program for fiscal years 1997/98 through 2003/04.

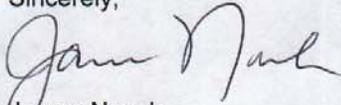
The District extends its sincere gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings. The District has no significant material challenges to the findings however it would like to take this opportunity to address the STAR program in general.

The Statement of Decision adopted by the Commission on State Mandates (Commission) in August 2000 concluded the "administration of the STAR Program tests to all pupils in grades 2 thru 11, inclusive" to be eligible for reimbursement. Almost without exception the interpretation of this language led claimants to believe that all tests, and related activities, conducted under the umbrella of the "STAR Program" were eligible for reimbursement. As noted by the SCO audit report this was an overly broad interpretation. However the California Department of Education (CDE), in correspondence to districts regarding STAR apportionments, test administration and reporting, identifies the California Standards Tests (CSTs), California Achievement Test, Sixth Edition Survey (CAT/6 Survey), California Alternate Performance Assessment (CAPA) and Spanish Assessment of Basic Education, Second Edition (SABE/2) as assessments encompassing the "STAR Program". CDE sponsored training sessions and materials identify the above assessments as components of the "STAR Program." It is reasonable then to assume that school districts considered all of the assessments to comprise the "STAR Program" per CDE direction. An amendment of the P's & G's by the Commission in December 2005 narrowed the scope of the reimbursable activities to those only associated with the administration of the CAT/6 test (grade levels three and seven only).

The District takes no exception with the finding that as filed the claimed activities were beyond the scope of the mandate as they are now understood. However it stresses that those activities were related to actual incurred costs for administration of tests widely recognized and defined as included in the STAR testing program and that a reasonable person would conclude those costs to have been allowable.

The District thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,

A handwritten signature in black ink, appearing to read "James Novak". The signature is written in a cursive style with a large initial "J".

James Novak
Assistant Superintendent
Business Services

cc: Lorri S. McCune, Ed.D., Superintendent
Evelyn Hernandez, Fiscal Services Director

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

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