

# **STOCKTON UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2001, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

January 2007



**JOHN CHIANG**  
**California State Controller**

January 19, 2007

Jack McLaughlin, Ed.D., Superintendent  
Stockton Unified School District  
701 North Madison Street  
Stockton, CA 95202

Dear Dr. McLaughlin:

The State Controller's Office audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

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

Sincerely,

*Original signed by:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb:ams

cc: Wayne Martin, Executive Director-Business Services  
Stockton Unified School District  
Fredrick Wentworth, Ed.D., County Superintendent of Schools  
San Joaquin County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
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Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 11, 2006.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 to the State.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

*Education Code* Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when the pupil is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, a pupil is initially classified as truant upon the fourth unexcused absence for mandate-reimbursement purposes.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2001, 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 the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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 Stockton Unified School District claimed and was paid \$612,896 for costs of the Notification of Truancy Program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$122,542. Our audit disclosed that \$57,179 is allowable. The district should return \$65,363 to the State.

For FY 2002-03, the State paid the district \$230,432. Our audit disclosed that the entire amount is allowable.

For FY 2003-04, the State paid the district \$259,922. Our audit disclosed that \$254,581 is allowable. The district should return \$5,341 to the State.

**Views of  
Responsible  
Officials**

We issued a draft audit report on November 29, 2006. Wayne Martin, Executive Director, Business Services, and Julie Penn, Director of CWA/Summer Programs/ECE, responded by letter dated December 20, 2006 (Attachment). This final audit report includes the district's response.

**Restricted Use**

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

**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial truancy notifications	9,492	4,429	(5,063)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 122,542</u>	57,179	<u>\$ (65,363)</u>	
Less amount paid by the State		<u>(122,542)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (65,363)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	17,457	18,675	1,218	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Subtotal	230,432	246,509	16,077	
Less allowable costs that exceed costs claimed <sup>2</sup>	<u>—</u>	<u>(16,077)</u>	<u>(16,077)</u>	
Total program costs	<u>\$ 230,432</u>	230,432	<u>\$ —</u>	
Less amount paid by the State		<u>(230,432)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	19,028	18,637	(391)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs	<u>\$ 259,922</u>	254,581	<u>\$ (5,341)</u>	
Less amount paid by the State		<u>(259,922)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,341)</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Total program costs	<u>\$ 612,896</u>	\$ 542,192	<u>\$ (70,704)</u>	
Less amount paid by the State		<u>(612,896)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (70,704)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> *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 2002-03.

# Findings and Recommendations

## **FINDING 1— Overclaimed and underclaimed initial truancy notifications**

The district's attendance records did not support the number of initial truancy notification forms that the district reported on its mandated claims. In each fiscal year, the district either overclaimed or underclaimed the number of initial truancy notifications. For all fiscal years combined, the district claimed 2,368 initial truancy notifications that were not supported by the district's records. Unallowable costs totaled \$29,588.

For fiscal year (FY) 2001-02, the district provided elementary school truancy notification logs and middle school automated attendance records to support initial truancy notifications. The records did not support the number of initial truancy notifications that the district claimed for these schools. In addition, a district representative notified us that the district had no records to support high school initial truancy notifications claimed. The district representative stated that the district discarded the records when counselors transferred or retired. For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports showing that the district underclaimed the total number of initial truancy notifications for each fiscal year.

*Parameters and Guidelines* requires the district to provide documentation that shows the total number of initial truancy notifications distributed. In addition, *Parameters and Guidelines* requires the district to maintain records for a period of three years from the date of final payment by the SCO.

The following table summarizes the overclaimed and underclaimed initial truancy notifications and resulting audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Initial truancy notifications supported by district records	4,527	19,554	19,528	
Less initial truancy notifications claimed	<u>(9,492)</u>	<u>(17,457)</u>	<u>(19,028)</u>	
Underclaimed/(overclaimed) initial truancy notifications	(4,965)	2,097	500	
Uniform cost allowance	<u>× \$12.91</u>	<u>× \$13.20</u>	<u>× \$13.66</u>	
Audit adjustment	<u>\$ (64,098)</u>	<u>\$ 27,680</u>	<u>\$ 6,830</u>	<u>\$ (29,588)</u>

### Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by *Parameters and Guidelines*.

### District's Response

While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

### SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

The district alleges that reimbursement deferrals lengthened the "normal" documentation retention requirements and implies that the lengthened retention requirements contributed to the inadvertent record destruction. *Government Code* Section 17558.5 (effective January 1, 2003) states that a reimbursement claim is "subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later." The district submitted its FY 2001-02 mandated claim on January 15, 2003. Therefore, the district's FY 2001-02 claim was subject to audit until January 15, 2006. We conducted an entrance conference for this audit on January 24, 2005, at which time the district was required to provide all documentation that supports the district's claim. As a result, the reimbursement deferrals did not affect the record retention requirements for this claim.

*Government Code* Section 17558.5 and *Parameters and Guidelines* identify the audit authority and record retention requirements applicable to mandated cost claims. It is the district's responsibility to be familiar with, and comply with, these requirements.

### **FINDING 2— Nonreimbursable initial truancy notifications**

The district claimed unallowable costs totaling \$25,039 for initial truancy notifications that were not reimbursable. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on grade level, we stratified the population into two groups: elementary students, and middle and high school students.

For FY 2001-02, we selected our elementary school sample from the total number of initial truancy notifications documented by truancy notification logs. We selected our middle school sample from the total number of initial truancy notifications documented by automated attendance records (the district had no records for high school students during this fiscal year). For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports for those elementary school students who accumulated between 3 and 5 unexcused daily absences and those middle and high school students who accumulated between 18 and 35 unexcused school period absences. We selected our FY 2002-03 and FY 2003-04 samples from these reports. The following table shows the population and sample sizes.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Population:				
Elementary schools	1,944	3,876	3,983	9,803
Middle/high schools	2,583	3,455	3,576	9,614
Total	<u>4,527</u>	<u>7,331</u>	<u>7,559</u>	<u>19,417</u>
Sample size:				
Elementary schools	139	144	145	428
Middle/high schools	142	144	144	430
Total	<u>281</u>	<u>288</u>	<u>289</u>	<u>858</u>

The district claimed unallowable initial truancy notifications for students who accumulated less than four unexcused absences or tardies during the fiscal year. The following table summarizes the number of unallowable initial truancy notifications that we identified from the samples, the percentage unallowable, and the projected audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
<u>Elementary Schools</u>				
Unallowable initial truancy notifications	\$ (7)	\$ (30)	\$ (27)	
Sample size	÷ 139	÷ 144	÷ 145	
Percentage of unallowable initial truancy notifications	(5.04)%	(20.83)%	(18.62)%	
Population sampled	× 1,944	× 3,876	× 3,983	
Projected unallowable initial truancy notifications	<u>\$ (98)</u>	<u>(807)</u>	<u>(742)</u>	
<u>Middle/High Schools</u>				
Unallowable initial truancy notifications	—	(3)	(6)	
Sample size	÷ 142	÷ 144	÷ 144	
Percentage of unallowable initial truancy notifications	0.00%	(2.08)%	(4.17)%	
Population sampled	× 2,583	× 3,455	× 3,576	
Projected unallowable initial truancy notifications	<u>—</u>	<u>(72)</u>	<u>(149)</u>	
<u>Totals</u>				
Total unallowable initial truancy notifications	(98)	(879)	(891)	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (1,265)</u>	<u>\$ (11,603)</u>	<u>\$ (12,171)</u>	<u>\$ (25,039)</u>

*Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, *Parameters and Guidelines* states that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Because *Parameters and Guidelines* has not been amended, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardies on four or more days.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in *Parameters and Guidelines*.

### District's Response

While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260 defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

### SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

We agree that *Parameters and Guidelines* conflicts with *Education Code* Section 48260(a) regarding the definition of a truant pupil. Chapter 1023, Statutes of 1994, effective January 1, 1995, amended *Education Code* Section 48260 to state that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. Chapter 19, Statutes of 1995, subsequently

renumbered this section to 48260(a). However, *Parameters and Guidelines*, last amended on July 22, 1993, requires that pupils accumulate four or more unexcused absences to be classified as truant.

*Government Code* Section 17551(c) requires districts to file a test claim not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. Because no district filed a test claim relative to Chapter 1023, Statutes of 1994, within the time allowed, *Parameters and Guidelines* was not amended. Therefore, although districts are required to identify pupils as truant upon the third unexcused absence, the mandated program reimburses districts for only those pupils who accumulate four or more unexcused absences.

We agree that an effort should be made by interested parties to eliminate differences between *Parameters and Guidelines* and the *Education Code*. We will explore alternatives with legislative representatives to resolve this issue.

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

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**BUSINESS SERVICES**

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**BOARD OF EDUCATION**

Edward R. Garcia  
Louis Gonzales  
Anthony R. Silva  
Sarah Bowden  
Venice Holladay  
Katrina L. Rios  
Glen A. Dolberg, Ph.D.

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Superintendent  
Jack McLaughlin

December 20, 2006

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

**RE: Notification of Truancy**  
**July 1, 2001 through June 30, 2003**

Dear Mr. Spano:

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy program (NOT) (Chapter 498, Statutes of 1983) for the period of July 1, 2001 through June 30, 2004. The District extends its appreciation for the professional courtesy of SCO staff shown during this audit. The District also appreciates this opportunity to respectfully respond to the SCO's findings.

Please note that this letter does not represent a complete list of the District's disagreements with the draft audit report, and that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Disallowed costs based on non-reimbursable initial truancy notifications.

It is our understanding, from the exit conference, Finding II and the draft audit report, that the SCO found \$25,039 of total costs claimed for FY's 01/02-03/04 to be unallowable because the district claimed "initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program" (SCO draft audit report, pg six). While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260

Jim L. Spano, CPA/Chief, Compliance Audits Bureau  
Division of Audits, State Controllers Office  
Re: Habitual Truancy 7/1/01 – 6/30/03  
December 20, 2006  
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defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

Disallowed costs based on unsupported truancy notifications.

It is our understanding, from the exit conference, Finding I and the draft audit report, that the SCO found \$29,588 of total costs claimed for FY's 01/02-03/04 to be unallowable because the District was unable to produce support documentation requested by the SCO (SCO draft audit report, pg five). While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

Sincerely,



Wayne Martin  
Executive Director, Business Services



Julie Penn  
Director of CWA/ Summer Programs/ECE

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