

# **MORENO VALLEY UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 2001, through June 30, 2003*



**JOHN CHIANG**  
California State Controller

January 2014



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

January 8, 2014

Tracey B. Vackar, President  
Moreno Valley Unified School District  
25634 Alessandro Boulevard  
Moreno Valley, CA 92553

Dear Ms. Vackar:

The State Controller's Office audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2001, through June 30, 2003.

The district claimed \$1,123,350 for the mandated program. Our audit found that \$204,718 is allowable and \$918,632 is unallowable. The costs are unallowable because the district claimed unsupported salaries and benefits, understated materials and supplies, and did not offset the mandate portion of the STAR Program apportionment received from the California Department of Education. The State paid the district \$657,656. The amount paid exceeds allowable costs claimed by \$452,938.

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](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

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

JVB/kw

cc: Judy D. White, Ed.D., Superintendent of Schools  
Moreno Valley Unified School District  
Mays Kakish, Chief Business Official  
Moreno Valley Unified School District

Nancy Sheets, Director  
District Fiscal Services  
Riverside County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
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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 the Moreno Valley Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2001, through June 30, 2003.

The district claimed \$1,123,350 for the mandated program. Our audit found that \$204,718 is allowable and \$918,632 is unallowable. The costs are unallowable because the district claimed unsupported salaries and benefits, understated materials and supplies, and did not offset the mandate portion of the STAR Program apportionment received from the California Department of Education. The State paid the district \$657,656. The amount paid exceeds allowable costs claimed by \$452,938.

## 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 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) 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 1997, 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 the 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 of 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 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, 2001, through June 30, 2003.

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 Moreno Valley Unified School District claimed \$1,123,350 for costs of the STAR Program. Our audit found that \$204,718 is allowable and \$918,632 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the district \$657,656 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$81,209 is allowable. The State will apply \$576,447 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2002-03 claim, the State made no payment to the district. Our audit found that \$123,509 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on December 17, 2013. Mays Kakish, Chief Business Official, responded by letter dated December 20, 2013 (Attachment), agreeing with the audit results. This final audit report includes the district's response to the findings and excludes the draft transmittal letter attached to the district's response.

**Restricted Use**

This report is solely for the information and use of the Moreno Valley 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, CPA  
Chief, Division of Audits

January 8, 2014

**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 771	\$ —	\$ (771)	Finding 1
Test materials, supplies, and equipment	280	—	(280)	Finding 1
Pre-test and post-test coordination	375,475	93,790	(281,685)	Finding 1
Test administration	—	17,608	17,608	Finding 1
Reporting and recordkeeping	254,561	—	(254,561)	Finding 1
Total salaries and benefits	<u>631,087</u>	<u>111,398</u>	<u>(519,689)</u>	
Materials and supplies:				
Reporting and recordkeeping	—	7,487	7,487	Finding 2
Total material and supplies	<u>—</u>	<u>7,487</u>	<u>7,487</u>	
Total direct costs	631,087	118,885	(512,202)	
Indirect costs	<u>26,569</u>	<u>5,005</u>	<u>(21,564)</u>	Findings 1, 2
Total direct and indirect costs	657,656	123,890	(533,766)	
Less offsetting reimbursements	<u>—</u>	<u>(42,681)</u>	<u>(42,681)</u>	Finding 3
Total program costs	<u>\$ 657,656</u>	81,209	<u>\$ (576,447)</u>	
Less amount paid by the State <sup>2</sup>		<u>(657,656)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (576,447)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 137,623	\$ —	\$ (137,623)	Finding 1
Test materials, supplies, and equipment	756	—	(756)	Finding 1
Pre-test and post-test coordination	133,540	92,471	(41,069)	Finding 1
Test administration	47,194	17,365	(29,829)	Finding 1
Reporting and recordkeeping	117,498	—	(117,498)	Finding 1
Total salaries and benefits	<u>436,611</u>	<u>109,836</u>	<u>(326,775)</u>	
Materials and supplies:				
Training, policies, and procedures	61	61	—	
Test material, supplies, and equipment	769	—	(769)	Finding 2
Pre-test and post-test coordination	12	12	—	
Reporting and recordkeeping	8,315	8,315	—	
Total materials and supplies	<u>9,157</u>	<u>8,388</u>	<u>(769)</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003 (continued)</u>				
Total direct costs	445,768	118,224	(327,544)	
Indirect costs	19,926	5,285	(14,641)	Findings 1, 2
Total program costs	<u>\$ 465,694</u>	123,509	<u>\$ (342,185)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 123,509</u>		
<u>Summary: July 1, 2001, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 138,394	\$ —	\$ (138,394)	
Test materials, supplies, and equipment	1,036	—	(1,036)	
Pre-test and post-test coordination	509,015	186,261	(322,754)	
Test administration	47,194	34,973	(12,221)	
Reporting and recordkeeping	372,059	—	(372,059)	
Total salaries and benefits	<u>1,067,698</u>	<u>221,234</u>	<u>(846,464)</u>	
Materials and supplies:				
Training, policies, and procedures	61	61	—	
Test material, supplies, and equipment	769	—	(769)	
Pre-test and post-test coordination	12	12	—	
Reporting and recordkeeping	8,315	15,802	7,487	
Total materials and supplies	<u>9,157</u>	<u>15,875</u>	<u>6,718</u>	
Total direct costs	1,076,855	237,109	(839,746)	
Indirect costs	<u>46,495</u>	<u>10,290</u>	<u>(36,205)</u>	
Total direct and indirect costs	1,123,350	247,399	(875,951)	
Less offsetting reimbursements	—	(42,681)	(42,681)	
Total program costs	<u>\$ 1,123,350</u>	204,718	<u>\$ (918,632)</u>	
Less amount paid by the State		<u>(657,656)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (452,938)</u>		

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

<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

# Findings and Recommendations

## **FINDING 1— Unsupported salaries, benefits, and related indirect costs**

The district claimed \$1,067,698 in salaries and benefits for the audit period. We initially determined that all of the costs claimed were unallowable because the district did not provide documentation supporting the costs claimed. The district requested, and we agreed, that it be allowed to perform a time study to recapture allowable activities that are repetitive in nature. Based on the time study results, we determined that \$221,234 is allowable and \$846,464 is unallowable. In addition, unallowable related indirect costs total \$36,486.

The following table summarizes the unsupported salaries, benefits, and related indirect costs by reimbursable component and fiscal year:

	Fiscal Year		Total
	2001-02	2002-03	
Salaries and benefits:			
Training, policies and procedures	\$ (771)	\$ (137,623)	\$ (138,394)
Test materials, supplies, and equipment	(280)	(756)	(1,036)
Pre-test and post-test coordination	(281,685)	(41,069)	(322,754)
Test administration	17,608	(29,829)	(12,221)
Reporting and recordkeeping	(254,561)	(117,498)	(372,059)
Total salaries and benefits	(519,689)	(326,775)	(846,464)
Indirect costs	(21,879)	(14,607)	(36,486)
Audit adjustment	\$ (541,568)	\$ (341,382)	\$ (882,950)

### **Time Study Methodology**

We worked with district representatives to develop time standards to determine allowable costs for fiscal year (FY) 2001-02 and FY 2002-03. The time standards were developed based on the district's time study.

In addition to the district office, we selected six schools in the district to be surveyed: two elementary schools, two middle schools, and two high schools. The district developed a time-tracking form to capture repetitive activities at the selected school sites. The form recorded the hours attributed to the reimbursable activities for the duration of the spring 2012 testing period.

### **Allowable Hours**

For the Pre-test and Post-test Coordination cost component, we allowed 1,511.37 hours, which was based on the time increments reported in the time study.

For the Test Administration cost component, we allowed 92 hours. The district identified 166.01 hours based on the time increments reported in the time study. We excluded 74.01 hours spent by the teachers to proctor tests during their normal classroom hours. The parameters and guidelines state that time spent by the teacher during his or her normal classroom

hours for test administration is not reimbursable.

For the Training, Policies, and Procedures cost component, the district identified 77.25 hours based on the time increments reported in the time study. We did not allow any time reported for this cost component because training and developing policies and procedures is not repetitive in nature. In addition, the district did not provide any documentation, such as a training agenda or time log, to support that training was provided during the audit period. Furthermore, the parameters and guidelines state that training is a one-time activity and that the time the teacher spends to attend training during the teacher's normal classroom hours is not reimbursable.

In addition, the district identified 71 hours based on the time increments reported in the time study for activities that are not identified in the parameters and guidelines. The district reported time spent on the following ineligible activities:

- Working on classrooms for STAR
- Working on classrooms and agenda
- STAR committee meetings
- STAR rally discussion

To calculate allowable costs, we first multiplied the allowable hours by the allowable productive hourly rates for various district personnel involved in each reimbursable activity. Next, we applied the total salaries and benefits by the reimbursable percentage.

### **Reimbursable Percentage**

The district's STAR costs included the following tests: California Standards Test (CST); California Alternate Performance Assessment (CAPA); Stanford Achievement Test, Ninth Edition (SAT/9); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and the 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's time study included hours spent administering the STAR tests collectively, without separately identifying costs by individual test. 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. The reimbursable percentages of mandated costs are as follows: 65.71% for FY 2001-02 and 63.52% for FY 2002-03.

The program's parameters and guidelines (section V. Claim Preparation and Submission, subsection (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 VI. Supporting Documentation, subsection (A)) state:

...all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship 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 costs are properly supported

District's Response

The district agrees with the finding.

**FINDING 2—  
Understated  
materials, supplies,  
and related indirect  
costs**

The district claimed \$9,157 in materials and supplies for the audit period. We determined that \$15,875 is allowable. The district understated materials and supplies by \$6,718 because it claimed reimbursement for costs after the reimbursement period expired and did not claim allowable costs. In addition, allowable related indirect costs total \$281.

The following table summarizes the understated materials, supplies, and related indirect costs by reimbursable component and fiscal year:

	Fiscal Year		Total
	2001-02	2002-03	
Materials and supplies:			
Test materials, supplies, and equipment	\$ -	\$ (769)	\$ (769)
Reporting and recordkeeping	7,487	-	7,487
Total materials and supplies	7,487	(769)	6,718
Indirect costs	315	(34)	281
Audit adjustment	\$ 7,802	\$ (803)	\$ 6,999

**Costs Claimed After the Reimbursement Period Expired**

The district claimed \$769 for materials and supplies after the reimbursement period expired. For the Test Materials, Supplies, and Equipment cost component, the parameters and guidelines state that costs are reimbursable for the period of January 2, 1998, through December 15, 1999. The district claimed \$769 for test materials acquired in February 2003.

**Unclaimed Costs**

The district did not claim materials and supplies for the Reporting and Recordkeeping cost component for FY 2001-02. We determined that \$7,487 is allowable. The parameters and guidelines (section IV. Reimbursable Activities, subsection 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.

To determine the cost the district incurred to report the STAR test results for FY 2001-02, we determined the cost to prepare a single report (which included the cost of postage, paper, and envelopes) and multiplied the total by the number of students tested in the district. However, as identified in Finding 1, the CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we multiplied the cost to report all the STAR test results by the reimbursable ratio of mandated tests to the number of STAR tests administered.

Recommendation

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

District's Response

The district agrees with the finding.

**FINDING 3—  
Unreported offsetting  
reimbursements**

The district did not report offsetting reimbursements, totaling \$42,681, because it did not report the mandate-related portion of the STAR Program apportionments received from the CDE.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school district to enable them to administer tests within the STAR Program. For the audit period, we determined that the district received \$64,953 from the CDE.

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.

We calculated the unreported reimbursement by:

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

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

	Fiscal Year		Total
	2001-02	2002-03	
Offsetting reimbursements:			
CDE apportionments	\$ (64,953)	\$ -	\$ (64,953)
Mandate-related percentage	65.71%	63.52%	
Allowable apportionments	\$ (42,681)	\$ -	\$ (42,681)
Claimed apportionments	-	-	-
Audit adjustment	\$ (42,681)	\$ -	\$ (42,681)

Recommendation

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

District’s Response

The district agrees with the finding.

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

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Board of Education  
Gary E. Baugh, Ed.S.  
Denise Fleming, Ed.D.  
Jesus M. Holguin  
Cleveland Johnson  
Tracey B. Vackar

Superintendent of Schools  
Judy D. White, Ed.D.

## **Moreno Valley Unified School District**

25634 Alessandro Boulevard  
Moreno Valley, California 92553  
(951) 571-7500  
[www.mvusd.net](http://www.mvusd.net)

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*Our mission is to prepare all students academically and socially to become productive members of society*

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December 20, 2013

Mr. Jim L. Spano, Chief  
Mandated Costs Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Spano,

In response to the correspondence our District received from Mr. Jeffrey Brownfield (attached) regarding audit findings for the Standardized Testing and Reporting (STAR) Program Audit (July 1, 2001- June 30, 2003), we have reviewed the report and the District agrees with the findings.

If any additional information is needed, please do not hesitate to contact me at (951) 571-7500 ext. 17241.

Sincerely,

A handwritten signature in cursive script that reads "Mays Kakish".

Mays Kakish  
Chief Business Official

MK/ds

c: Dr. Judy D. White, Superintendent  
Dr. Martinex Kedziora, Assistant Superintendent, Educational Services  
Francine Story, Business Manager  
Kimberly Hendricks, Director, Accountability and Assessment

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