



JOHN CHIANG
California State Controller

February 18, 2014

Nick J. Salerno, Superintendent
El Monte Union High School District
3537 Johnson Ave
El Monte, CA 91731

Dear Mr. Salerno:

The State Controller's Office reviewed the costs claimed by the El Monte Union High School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that the California Department of Education's STAR Program apportionment was properly offset.

The district claimed \$932,644 for the mandated program. Our review found that \$773,778 is allowable and \$158,866 is unallowable. The costs are unallowable because the district did not report any offsetting reimbursements, as described in the attached Summary of Program Costs and the Finding and Recommendation.

We informed Ryan Di Giulio, Chief Business Official, of the review finding via email on January 17, 2014. We provided Mr. Di Giulio with documentation to support the finding on January 31, 2014. We did not receive a response from the district.

For the fiscal year (FY) 1997-98 through FY 1998-99, and FY 2001-02 through FY 2003-04 claims, the State made no payment to the district. Our review found that \$549,577 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1999-2000 through FY 2000-01 claims, the State paid the district \$244,666 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$224,201 is allowable. The State will apply \$20,465 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCFORM.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

Attachments

RE: S14-MCC-939

cc: Ryan Di Giulio, Chief Business Official
El Monte Union High School District
Dana Smith, Director of Fiscal Services
El Monte Union High School District
Marlene Dunn, Director
Business Advisory Services
Los Angeles County Office of Education
Peter Foggato, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Senior Fiscal Policy Advisor
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 12,391	\$ 12,391	\$ —
Test materials, supplies, and equipment	4,184	4,184	—
Pre-test and post-test coordination	58,934	58,934	—
Test administration	8,390	8,390	—
Reporting and recordkeeping	24,315	24,315	—
Total direct costs	108,214	108,214	—
Indirect costs	5,411	5,411	—
Total direct and indirect costs	113,625	113,625	—
Less offsetting reimbursements	—	(52,061)	(52,061)
Total program costs	<u>\$ 113,625</u>	61,564	<u>\$ (52,061)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,564</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$12,506	\$ 12,506	\$ —
Test materials, supplies, and equipment	4,283	4,283	—
Pre-test and post-test coordination	60,454	60,454	—
Test administration	8,482	8,482	—
Reporting and recordkeeping	25,224	25,224	—
Total direct costs	110,949	110,949	—
Indirect costs	5,548	5,548	—
Total direct and indirect costs	116,497	116,497	—
Less offsetting reimbursements	—	(45,161)	(45,161)
Total program costs	<u>\$ 116,497</u>	71,336	<u>\$ (45,161)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 71,336</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 13,461	\$ 13,461	\$ —
Test materials, supplies, and equipment	4,314	4,314	—
Pre-test and post-test coordination	60,952	60,952	—
Test administration	8,688	8,688	—
Reporting and recordkeeping	29,056	29,056	—
Total direct costs	116,471	116,471	—
Indirect costs	5,824	5,824	—
Total direct and indirect costs	122,295	122,295	—
Less offsetting reimbursements	—	(12,860)	(12,860)
Total program costs	<u>\$ 122,295</u>	109,435	<u>\$ (12,860)</u>
Less amount paid by the State ²		(117,039)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (7,604)</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 14,293	\$ 14,293	\$ —
Test materials, supplies, and equipment	4,308	4,308	—
Pre-test and post-test coordination	61,490	61,490	—
Test administration	8,906	8,906	—
Reporting and recordkeeping	30,638	30,638	—
Total direct costs	119,635	119,635	—
Indirect costs	7,992	7,992	—
Total direct and indirect costs	127,627	127,627	—
Less offsetting reimbursements	—	(12,861)	(12,861)
Total program costs	<u>\$ 127,627</u>	114,766	<u>\$ (12,861)</u>
Less amount paid by the State ²		(127,627)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (12,861)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 18,532	\$ 18,532	\$ —
Test materials, supplies, and equipment	4,701	4,701	—
Pre-test and post-test coordination	65,875	65,875	—
Test administration	9,128	9,128	—
Reporting and recordkeeping	32,944	32,944	—
Total direct costs	131,180	131,180	—
Indirect costs	8,474	8,474	—
Total direct and indirect costs	139,654	139,654	—
Less offsetting reimbursements	—	(12,093)	(12,093)
Total program costs	<u>\$ 139,654</u>	127,561	<u>\$ (12,093)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 127,561</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 14,482	\$ 14,482	\$ —
Test materials, supplies, and equipment	2,364	2,364	—
Pre-test and post-test coordination	73,136	73,136	—
Test administration	113,009	113,009	—
Reporting and recordkeeping	42,174	42,174	—
Total salaries and benefits	245,165	245,165	—
Materials and supplies:			
Test materials, supplies, and equipment	4,642	4,642	—
Total materials and supplies	4,642	4,642	—
Total direct costs	249,807	249,807	—
Indirect costs	16,138	16,138	—
Total direct and indirect costs	265,945	265,945	—
Less offsetting reimbursements	—	(11,651)	(11,651)
Total program costs	<u>\$ 265,945</u>	254,294	<u>\$ (11,651)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 254,294</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 4,657	\$ 4,657	\$ —
Test materials, supplies, and equipment	4,839	4,839	—
Pre-test and post-test coordination	21,115	21,115	—
Test administration	5,711	5,711	—
Reporting and recordkeeping	4,839	4,839	—
Total salaries and benefits	<u>41,161</u>	<u>41,161</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	3,392	3,392	—
Pre-test and post-test coordination	40	40	—
Total materials and supplies	<u>3,432</u>	<u>3,432</u>	<u>—</u>
Total direct costs	44,593	44,593	—
Indirect costs	2,408	2,408	—
Total direct and indirect costs	47,001	47,001	—
Less offsetting reimbursements	—	(12,179)	(12,179)
Total program costs	<u>\$ 47,001</u>	34,822	<u>\$ (12,179)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 34,822</u>	
<u>Summary: July 1, 1997, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 90,322	\$ 90,322	\$ —
Test materials, supplies, and equipment	28,993	28,993	—
Pretest and post-test coordination	401,956	401,956	—
Test administration	162,314	162,314	—
Reporting and recordkeeping	189,190	189,190	—
Total salaries and benefits	<u>872,775</u>	<u>872,775</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	8,034	8,034	—
Pre-test and post-test coordination	40	40	—
Total materials and supplies	<u>8,074</u>	<u>8,074</u>	<u>—</u>
Total direct costs	880,849	880,849	—
Indirect costs	51,795	51,795	—
Total direct and indirect costs	932,644	932,644	—
Less offsetting reimbursements	—	(158,866)	(158,866)
Total program costs	<u>\$ 932,644</u>	773,778	<u>\$ (158,866)</u>
Less amount paid by the State		(244,666)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 529,112</u>	

¹ See Attachment 2, Finding and Recommendation.² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Attachment 2— Finding and Recommendation July 1, 1997, through June 30, 2004

**FINDING—
Unreported offsetting
reimbursements**

The district did not report offsetting reimbursements totaling \$158,866, because it did not report any of the Standardized Testing and Reporting (STAR) Program apportionments received from the California Department of Education (CDE) for the review period.

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

The program's 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 State Controller's Office issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

On reconsideration under Statutes of 2004, Chapter 216, section 34; and Statutes of 2004, Chapter 895, section 19, the CSM found that effective July 1, 2004, many of the reimbursable activities were either federally mandated or no longer required, and thus were not reimbursable. Accordingly, the CSM deleted references to the non-reimbursable activities and renamed the program the "National Norm-Referenced Achievement Test" effective July 1, 2004. This latter program has been suspended since September 30, 2008.

The parameters and guidelines for the STAR Program (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, services fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the review period, we determined that the district received \$205,483 from the CDE.

We determined the amount that should have been offset by multiplying the total CDE apportionment by the reimbursable mandate percentages, which are based on test results published on the CDE STAR website. The district administered the following STAR tests during the review period: California Standards Test (CST); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); Spanish Assessment of Basic Education, Second Edition (SABE/2); and the California Alternate Performance Assessment (CAPA). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Based on the CDE’s published test results, the reimbursable mandate percentages are as follows: 100% for fiscal year (FY) 1997-98, 77.07% for FY 1998-99, 77.96% for FY 1999-2000, 65.67% for FY 2000-01, 61.91% for FY 2001-02, 61.02% for FY 2002-03, and 60.54% for FY 2003-04

The following table summarizes the unreported offsetting reimbursement calculation for the review period:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
STAR Program Apportionments:								
CDE apportionment	\$ (52,061)	\$ (58,597)	\$ (16,495)	\$ (19,584)	\$ (19,534)	\$ (19,094)	\$ (20,118)	\$ (205,483)
Mandate-related percentage	x 100%	x 77.07%	x 77.96%	x 65.67%	x 61.91%	x 61.02%	x 60.54%	
Mandate-related apportionment	(52,061)	(45,161)	(12,860)	(12,861)	(12,093)	(11,651)	(12,179)	(158,866)
Less offset CDE apportionment	—	—	—	—	—	—	—	—
Review adjustment	<u>\$ (52,061)</u>	<u>\$ (45,161)</u>	<u>\$ (12,860)</u>	<u>\$ (12,861)</u>	<u>\$ (12,093)</u>	<u>\$ (11,651)</u>	<u>\$ (12,179)</u>	<u>\$ (158,866)</u>

Recommendation

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