



JOHN CHIANG
California State Controller

March 20, 2013

Arturo Delgado, Ed.D.
County Superintendent of Schools
Los Angeles County Office of Education
9300 Imperial Highway
Downey, CA 90242

Dear Dr. Delgado:

The State Controller's Office reviewed the costs claimed by the Los Angeles County Office of Education (LACOE) 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, 2001. Our review was limited to ensuring that the California Department of Education STAR program apportionment was properly offset.

The LACOE claimed \$468,292 for the mandated program. Our review found that \$340,373 is allowable and \$127,919 is unallowable. The costs are unallowable because the LACOE did not report any offsetting reimbursements, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 1997-98 claim, the State made no payment to the LACOE. Our review found that the entire amount is unallowable.

For the FY 1998-99 claim, the State made no payment to the LACOE. Our review found that \$65,498 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the LACOE \$160,274 from funds appropriated under Chapter 724, Statutes 2010. Our review found that \$168,459 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$8,185, contingent upon available appropriations.

For the FY 2000-01 claim, the State made no payment to the LACOE. Our review found that \$106,416 is allowable. The State will pay that amount, contingent upon available appropriations.

We informed Aurelie Alvarez, Senior Accountant, of the review results via email on March 8, 2013. Ms. Alvarez responded to request additional information, but did not express an opinion regarding the adjustment.

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, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/bf

Attachments

RE: S13-MCC-930

cc: Kim Hopko, Division Director
Division of Special Education
Los Angeles County Office of Education
Aurelie Alvarez, Senior Accountant
Controller's Office
Los Angeles County Office of Education
Anna Whalen, Program Analyst
Division of Special Education
Los Angeles County Office of Education
Scott Hannan, Director, School Fiscal Services Division
California Department of Education
Carol Bingham, Director, Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, 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, 2001**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits:			
Pre-test and post-test coordination	\$ 51,072	\$ 51,072	\$ —
Reporting and recordkeeping	5,797	5,797	—
Total direct costs	56,869	56,869	—
Indirect costs	3,708	3,708	—
Total direct and indirect costs	60,577	60,577	—
Less offsetting reimbursements	—	(65,303)	(65,303)
Subtotal	60,577	(4,726)	(65,303)
Adjustment to eliminate negative balance	—	4,726	4,726
Total program costs	<u>\$ 60,577</u>	—	<u>\$ (60,577)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 839	\$ 839	\$ —
Test materials, supplies, and equipment	1,259	1,259	—
Pre-test and post-test coordination	91,572	91,572	—
Reporting and recordkeeping	8,392	8,392	—
Total direct costs	102,062	102,062	—
Indirect costs	7,012	7,012	—
Total direct and indirect costs	109,074	109,074	—
Less offsetting reimbursements	—	(43,576)	(43,576)
Total program costs	<u>\$ 109,074</u>	65,498	<u>\$ (43,576)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 65,498</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 7,271	\$ 7,271	\$ —
Test materials, supplies, and equipment	11,413	11,413	—
Pre-test and post-test coordination	94,394	94,394	—
Test administration	537	537	—
Reporting and recordkeeping	14,729	14,729	—
Total salaries and benefits	128,344	128,344	—

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 1999, through June 30, 2000 (continued)</u>			
Materials and supplies:			
Test materials, supplies, and equipment	43,161	43,161	—
Total materials and supplies	43,161	43,161	—
Total direct costs	171,505	171,505	—
Indirect costs	11,114	11,114	—
Total direct and indirect costs	182,619	182,619	—
Less offsetting reimbursements	—	(14,160)	(14,160)
Total program costs	<u>\$ 182,619</u>	168,459	<u>\$ (14,160)</u>
Less amount paid by the State ²		(160,274)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,185</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 2,320	\$ 2,320	\$ —
Pre-test and post-test coordination	80,517	80,517	—
Test administration	587	587	—
Reporting and recordkeeping	15,198	15,198	—
Total salaries and benefits	98,622	98,622	—
Materials and supplies:			
Reporting and recordkeeping	10,319	10,319	—
Total materials and supplies	10,319	10,319	—
Total direct costs	108,941	108,941	—
Indirect costs	7,081	7,081	—
Total direct and indirect costs	116,022	116,022	—
Less offsetting reimbursements	—	(9,606)	(9,606)
Total program costs	<u>\$ 116,022</u>	106,416	<u>\$ (9,606)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 106,416</u>	
<u>Summary: July 1, 1997, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 10,430	\$ 10,430	\$ —
Test materials, supplies, and equipment	12,672	12,672	—
Pre-test and post-test coordination	317,555	317,555	—
Test administration	1,124	1,124	—
Reporting and recordkeeping	44,116	44,116	—
Total salaries and benefits	385,897	385,897	—

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>Summary: July 1, 1997, through June 30, 2001 (continued)</u>			
Materials and supplies:			
Test materials, supplies, and equipment	43,161	43,161	—
Reporting and recordkeeping	10,319	10,319	—
Total materials and supplies	53,480	53,480	—
Total direct costs	439,377	439,377	—
Indirect costs	28,915	28,915	—
Total direct and indirect costs	468,292	468,292	—
Less offsetting reimbursements	—	(132,645)	(132,645)
Subtotal	468,292	335,647	(132,645)
Adjustment to eliminate negative balance	—	4,726	4,726
Total program costs	<u>\$ 468,292</u>	340,373	<u>\$ (127,919)</u>
Less amount paid by the State ²		(160,274)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 180,099</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, 2001

**FINDING—
Unreported offsetting
reimbursements**

The Los Angeles County Office of Education (LACOE) did not report offsetting reimbursements, totaling \$132,645, 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 upon school districts a state mandate 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 issued claiming instructions to assist school districts in claiming mandated-program reimbursable costs.

On reconsideration by 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 to the National Norm-Referenced Achievement Test Program effective July 1, 2004. This latter program has been suspended since September 30, 2008.

The parameters and guidelines for the STAR Program (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, 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 LACOE received \$153,992 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 LACOE administered the following STAR tests during the review period: California Standards Test (CST); Stanford Achievement Test, Ninth Edition; and the Spanish Assessment of Basic Education, Second Edition. The CST is not reimbursable because it was 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 FY 1997-98; 77.06% for FY 1998-99; 76.98% for FY 1999-2000; and 69.88% for FY 2000-01.

The following table summarizes the unreported offsetting reimbursement calculation:

	Fiscal Year				Total
	1997-98	1998-99	1999-2000	2000-01	
STAR Program Apportionments:					
CDE apportionment	\$ (65,303)	\$ (56,548)	\$ (18,395)	\$ (13,746)	\$ (153,992)
Mandate-related percentage	× 100%	× 77.06%	× 76.98%	× 69.88%	
Mandate-related apportionment	(65,303)	(43,576)	(14,160)	(9,606)	(132,645)
Less offset CDE apportionment	—	—	—	—	—
Review adjustment	<u>\$ (65,303)</u>	<u>\$ (43,576)</u>	<u>\$ (14,160)</u>	<u>\$ (9,606)</u>	<u>\$ (132,645)</u>

Recommendation

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