



JOHN CHIANG
California State Controller

April 29, 2013

Mike Davitt, Ed.D., Superintendent
Needles Unified School District
1900 Erin Drive
Needles, CA 92363

Dear Dr. Davitt:

The State Controller's Office reviewed the costs claimed by Needles Unified 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, 2000, and July 1, 2001 through June 30, 2004. Our review was limited to ensuring that the California Department of Education STAR Program apportionment was properly offset.

The district claimed \$136,493 (\$139,493 less a \$3,000 penalty for filing late claims) for the mandated program. Our review found that \$116,661 (\$121,425 less a \$4,764 penalty for filing late claims) is allowable and \$19,832 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 Finding and Recommendation.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$4,456 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$12,601 (\$14,001 less a \$1,400 penalty for filing a late claim) is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$8,145, contingent upon available appropriations.

For the FY 1998-99, FY 1999-2000, and FY 2001-02 through FY 2003-04 claims, the State made no payment to the district. Our review found that \$104,060 (\$107,424 less a \$3,364 penalty for filing late claims) is allowable. The State will pay that amount, contingent upon available appropriations.

We informed Debra Downey, Business Manager, of the review results via email on March 26, 2013. We did not receive a response from Ms. Downey.

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/kw

Attachments

RE: S13-MCC-924

cc: Debra Downey, Business Manager
Needles Unified School District
Gary Thomas, Ed.D, County Superintendent of Schools
San Bernardino 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, 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, 2000,
and July 1, 2001 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:			
Test administration	\$ 11,906	\$ 11,906	\$ —
Reporting and recordkeeping	8,096	8,096	—
Total direct costs	20,002	20,002	—
Indirect costs	902	902	—
Total direct and indirect costs	20,904	20,904	—
Less offsetting reimbursements	—	(6,903)	(6,903)
Subtotal	20,904	14,001	(6,903)
Less late filing penalty ²	(1,000)	(1,400)	(400)
Total program costs	<u>\$ 19,904</u>	12,601	<u>\$ (7,303)</u>
Less amount paid by the State ³		(4,456)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,145</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Test administration	\$ 11,483	\$ 11,483	\$ —
Reporting and recordkeeping	7,809	7,809	—
Total direct costs	19,292	19,292	—
Indirect costs	870	870	—
Total direct and indirect costs	20,162	20,162	—
Less offsetting reimbursements	—	(5,429)	(5,429)
Subtotal	20,162	14,733	(5,429)
Less late filing penalty ²	(1,000)	(1,473)	(473)
Total program costs	<u>\$ 19,162</u>	13,260	<u>\$ (5,902)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,260</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Test administration	\$ 11,633	\$ 11,633	\$ —
Reporting and recordkeeping	7,910	7,910	—
Total direct costs	19,543	19,543	—
Indirect costs	881	881	—
Total direct and indirect costs	20,424	20,424	—
Less offsetting reimbursements	—	(1,518)	(1,518)
Subtotal	20,424	18,906	(1,518)
Less late filing penalty ²	(1,000)	(1,891)	(891)
Total program costs	<u>\$ 19,424</u>	17,015	<u>\$ (2,409)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,015</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Pre-test and post-test coordination	\$ 2,254	\$ 2,254	\$ —
Test administration	12,124	12,124	—
Reporting and recordkeeping	8,228	8,228	—
Total salaries and benefits	22,606	22,606	—
Materials and supplies:			
Test materials, supplies, and equipment	301	301	—
Total materials and supplies	301	301	—
Total direct costs	22,907	22,907	—
Indirect costs	1,033	1,033	—
Total direct and indirect costs	23,940	23,940	—
Less offsetting reimbursements	—	(1,422)	(1,422)
Total program costs	<u>\$ 23,940</u>	22,518	<u>\$ (1,422)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 22,518</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 7,183	\$ 7,183	\$ —
Test materials, supplies, and equipment	116	116	—
Pre-test and post-test coordination	10,511	10,511	—
Test administration	950	950	—
Reporting and recordkeeping	4,792	4,792	—
Total salaries and benefits	<u>23,552</u>	<u>23,552</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	1,606	1,606	—
Total materials and supplies	<u>1,606</u>	<u>1,606</u>	<u>—</u>
Total direct costs	25,158	25,158	—
Indirect costs	<u>1,162</u>	<u>1,162</u>	<u>—</u>
Total direct and indirect costs	26,320	26,320	—
Less offsetting reimbursements	<u>—</u>	<u>(1,411)</u>	<u>(1,411)</u>
Total program costs	<u>\$ 26,320</u>	24,909	<u>\$ (1,411)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,909</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 1,826	\$ 1,826	\$ —
Test materials, supplies, and equipment	358	358	—
Pre-test and post-test coordination	14,055	14,055	—
Test administration	4,173	4,173	—
Reporting and recordkeeping	5,967	5,967	—
Total direct costs	26,379	26,379	—
Indirect costs	<u>1,364</u>	<u>1,364</u>	<u>—</u>
Total direct and indirect costs	27,743	27,743	—
Less offsetting reimbursements	<u>—</u>	<u>(1,385)</u>	<u>(1,385)</u>
Total program costs	<u>\$ 27,743</u>	26,358	<u>\$ (1,385)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 26,358</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 1997, through June 30, 2000, and July 1, 2001, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 9,009	\$ 9,009	\$ —
Test materials, supplies, and equipment	474	474	—
Pre-test and post-test coordination	26,820	26,820	—
Test administration	52,269	52,269	—
Reporting and recordkeeping	42,802	42,802	—
Total salaries and benefits	<u>131,374</u>	<u>131,374</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	1,907	1,907	—
Total materials and supplies	<u>1,907</u>	<u>1,907</u>	<u>—</u>
Total direct costs	133,281	133,281	—
Indirect costs	<u>6,212</u>	<u>6,212</u>	<u>—</u>
Total direct and indirect costs	139,493	139,493	—
Less offsetting reimbursements	<u>—</u>	<u>(18,068)</u>	<u>(18,068)</u>
Subtotal	139,493	121,425	(18,068)
Less late filing penalty ²	<u>(3,000)</u>	<u>(4,764)</u>	<u>(1,764)</u>
Total program costs	<u>\$ 136,493</u>	116,661	<u>\$ (19,832)</u>
Less amount paid by the State ³		<u>(4,456)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,205</u>	

¹ See Attachment 2, Finding and Recommendation.

² Government Code section 17561, subdivision (d)(3), allows claimants to file an initial reimbursement claim within one year after the initial filing deadline, subject to a 10% penalty on allowable costs for filing a late claim. Late initial reimbursement claims filed on or after September 30, 2002, are not subject to a maximum penalty amount pursuant to Chapter 1124, Statutes of 2002 (AB 3000). The SCO assesses the penalty on allowable costs that exceed the amount filed by the initial filing deadline. Fiscal year (FY) 1997-98 through FY 1999-2000 claims were initial reimbursement claims filed on January 8, 2003 (after the initial filing deadline).

³ 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, 2000,
and July 1, 2001, through June 30, 2004**

**FINDING—
Unreported offsetting
reimbursements**

The district did not report offsetting reimbursements totaling \$18,068 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 of 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 district received \$23,353 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 in the review period:

California Standards Test (CST); Stanford Achievement Test, Ninth Edition; and the California Achievement Test, Sixth Edition Survey. 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; 71.36% for FY 1998-99; 70.79% for FY 1999-2000; 65.39% for FY 2001-02; 62.38% for FY 2002-03; and 61.24% 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	2001-02	2002-03	2003-04	
STAR Program Apportionments:							
CDE apportionment	\$ (6,903)	\$ (7,608)	\$ (2,144)	\$ (2,175)	\$ (2,262)	\$ (2,261)	\$ (23,353)
Mandate-related percentage	× 100%	× 71.36%	× 70.79%	× 65.39%	× 62.38%	× 61.24%	
Mandate-related apportionment	(6,903)	(5,429)	(1,518)	(1,422)	(1,411)	(1,385)	(18,068)
Less offset CDE apportionment	—	—	—	—	—	—	—
Review adjustment	<u>\$ (6,903)</u>	<u>\$ (5,429)</u>	<u>\$ (1,518)</u>	<u>\$ (1,422)</u>	<u>\$ (1,411)</u>	<u>\$ (1,385)</u>	<u>\$ (18,068)</u>

Recommendation

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