

MOUNTAIN VIEW SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2004



JOHN CHIANG
California State Controller

May 2014



JOHN CHIANG
California State Controller

May 8, 2014

Mary Espinoza, President
Board of Education
Mountain View School District
3320 Gilman Road
El Monte, CA 91732

Dear Ms. Espinoza:

The State Controller's Office audited the costs claimed by Mountain View School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$1,012,716 for the mandated program. Our audit found that \$504,030 is allowable and \$508,686 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$188,651. Allowable costs claimed exceed the amount paid by \$315,379.

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: Lillian Maldonado French, Superintendent
Mountain View School District
Michael Coughlin, Assistant Superintendent of Business Services
Mountain View School District
Rick Jensen, Director of Fiscal Services
Mountain View School District
Juan Castillo, Director of Technology and Assessments
Mountain View School District
Marlene Dunn, Director
Business Advisory Services
Los Angeles County Office of Education

Peter Foggiato, 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

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Mountain View School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$1,012,716 for the mandated program. Our audit found that \$504,030 is allowable and \$508,686 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$188,651. Allowable costs claimed exceed the amount paid by \$315,379.

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 Title 5, *California Code of Regulations*, sections 850 through 904, established the Standardized Testing and Reporting (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) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (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 also are 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 1977, 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 parameters and guidelines establish the state mandate and define 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 by 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 were 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, 1997, 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 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, Mountain View School District claimed \$1,012,716 for costs of the Standardized Testing and Reporting Program. Our audit found that \$504,030 is allowable and \$508,686 is unallowable.

For the FY 1997-98 claim, the State made no payment to the district. Our audit found that \$109,584 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$109,584, contingent upon available appropriations.

For the FY 1998-99 claim, the State made no payment to the district. Our audit found that \$67,498 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$67,498, contingent upon available appropriations.

For the FY 1999-2000 claim, the State made no payment to the district. Our audit found that \$102,551 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$102,551, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the district \$3,788 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$100,575 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$96,787, contingent upon available appropriations.

For the FY 2001-02 claim, the State paid the district \$184,863 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$93,368 is allowable. The State will apply \$91,495 against any balances of unpaid mandated program claims due to 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 \$8,005 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$8,005, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$22,449 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$22,449, contingent upon available appropriations.

**Views of
Responsible
Official**

We discussed our audit results with the district's representative during an exit conference conducted on March 12, 2014. Rick Jensen, Director of Fiscal Services, agreed with the audit results. Mr. Jensen declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Mountain View School District, the Los Angeles 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

May 8, 2014

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

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 12,933	\$ 10,668	\$ (2,265)	Finding 1
Test materials, supplies, and equipment	512	512	—	Finding 1
Pretest and posttest coordination	84,811	79,749	(5,062)	Finding 1
Test administration	46,586	29,431	(17,155)	Finding 1
Reporting and recordkeeping	10,964	10,057	(907)	Finding 1
Total salaries and benefits	<u>155,806</u>	<u>130,417</u>	<u>(25,389)</u>	
Materials and supplies:				
Training, policies, and procedures	400	—	(400)	Finding 2
Test materials, supplies, and equipment	13	3,161	3,148	Finding 2
Reporting and recordkeeping	5,070	2,247	(2,823)	Finding 2
Total materials and supplies	<u>5,483</u>	<u>5,408</u>	<u>(75)</u>	
Contracted services:				
Pretest and posttest coordination	—	34,061	34,061	Finding 3
Reporting and recordkeeping	—	6,905	6,905	Finding 3
Total contracted services	<u>—</u>	<u>40,966</u>	<u>40,966</u>	
Travel and training:				
Training, policies, and procedures	34	—	(34)	Finding 4
Total travel and training	<u>34</u>	<u>—</u>	<u>(34)</u>	
Total direct costs	161,323	176,791	15,468	
Indirect costs	<u>8,082</u>	<u>8,857</u>	<u>775</u>	Findings 1, 2, 3, 4
Total direct and indirect costs	169,405	185,648	16,243	
Less offsetting reimbursements	(59,821)	(59,821)	—	
Less allowable costs that exceed claimed costs ²	<u>—</u>	<u>(16,243)</u>	<u>(16,243)</u>	
Total program costs	<u>\$ 109,584</u>	109,584	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 109,584</u>		

July 1, 1998, through June 30, 1999

Direct costs:

Salaries and benefits:

Training, policies, and procedures	\$ 20,425	\$ 12,325	\$ (8,100)	Finding 1
Test materials, supplies, and equipment	263	181	(82)	Finding 1
Pretest and posttest coordination	92,998	59,919	(33,079)	Finding 1
Test administration	47,111	19,987	(27,124)	Finding 1
Reporting and recordkeeping	12,579	8,015	(4,564)	Finding 1
Total salaries and benefits	<u>173,376</u>	<u>100,427</u>	<u>(72,949)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999 (continued)</u>				
Materials and supplies:				
Training, policies, and procedures	963	882	(81)	Finding 2
Test materials, supplies, and equipment	—	504	504	Finding 2
Reporting and recordkeeping	5,170	1,666	(3,504)	Finding 2
Total materials and supplies	<u>6,133</u>	<u>3,052</u>	<u>(3,081)</u>	
Contracted services:				
Pretest and posttest coordination	—	772	772	Finding 3
Total contracted services	<u>—</u>	<u>772</u>	<u>772</u>	
Travel and training:				
Training, policies, and procedures	111	—	(111)	Finding 4
Total travel and training	<u>111</u>	<u>—</u>	<u>(111)</u>	
Total direct costs	179,620	104,251	(75,369)	
Indirect costs	8,280	4,807	(3,473)	Findings 1, 2, 3, 4
Total direct and indirect costs	187,900	109,058	(78,842)	
Less offsetting reimbursements	<u>(20,103)</u>	<u>(41,560)</u>	<u>(21,457)</u>	Finding 6
Total program costs	<u>\$ 167,797</u>	67,498	<u>\$ (100,299)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,498</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 3,546	\$ 7,029	\$ 3,483	Finding 1
Pretest and posttest coordination	95,736	60,488	(35,248)	Finding 1
Test administration	51,448	28,770	(22,678)	Finding 1
Reporting and recordkeeping	18,374	12,406	(5,968)	Finding 1
Total salaries and benefits	<u>169,104</u>	<u>108,693</u>	<u>(60,411)</u>	
Materials and supplies:				
Reporting and recordkeeping	6,348	1,713	(4,635)	Finding 2
Total materials and supplies	<u>6,348</u>	<u>1,713</u>	<u>(4,635)</u>	
Total direct costs	175,452	110,406	(65,046)	
Indirect costs	6,983	4,394	(2,589)	Findings 1, 2
Total direct and indirect costs	182,435	114,800	(67,635)	
Less offsetting reimbursements	<u>(6,633)</u>	<u>(12,249)</u>	<u>(5,616)</u>	Finding 6
Total program costs	<u>\$ 175,802</u>	102,551	<u>\$ (73,251)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 102,551</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 575	\$ 3,619	\$ 3,044	Finding 1
Pretest and posttest coordination	105,291	63,885	(41,406)	Finding 1
Test administration	51,329	27,231	(24,098)	Finding 1
Reporting and recordkeeping	<u>20,251</u>	<u>12,560</u>	<u>(7,691)</u>	Finding 1
Total salaries and benefits	<u>177,446</u>	<u>107,295</u>	<u>(70,151)</u>	
Materials and supplies:				
Reporting and recordkeeping	<u>5,673</u>	<u>1,762</u>	<u>(3,911)</u>	Finding 2
Total materials and supplies	<u>5,673</u>	<u>1,762</u>	<u>(3,911)</u>	
Total direct costs	183,119	109,057	(74,062)	
Indirect costs	<u>7,892</u>	<u>4,700</u>	<u>(3,192)</u>	Findings 1, 2
Total direct and indirect costs	191,011	113,757	(77,254)	
Less offsetting reimbursements	<u>(6,213)</u>	<u>(13,182)</u>	<u>(6,969)</u>	Finding 6
Total program costs	<u>\$ 184,798</u>	100,575	<u>\$ (84,223)</u>	
Less amount paid by the State ³		<u>(3,788)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 96,787</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,235	\$ 509	\$ (726)	Finding 1
Pretest and posttest coordination	100,271	60,481	(39,790)	Finding 1
Test administration	48,507	27,104	(21,403)	Finding 1
Reporting and recordkeeping	<u>18,172</u>	<u>12,426</u>	<u>(5,746)</u>	Finding 1
Total salaries and benefits	<u>168,185</u>	<u>100,520</u>	<u>(67,665)</u>	
Materials and supplies:				
Reporting and recordkeeping	<u>8,346</u>	<u>1,980</u>	<u>(6,366)</u>	Finding 2
Total materials and supplies	<u>8,346</u>	<u>1,980</u>	<u>(6,366)</u>	
Total direct costs	176,531	102,500	(74,031)	
Indirect costs	<u>8,332</u>	<u>4,838</u>	<u>(3,494)</u>	Findings 1, 2
Total direct and indirect costs	184,863	107,338	(77,525)	
Less offsetting reimbursements	<u>—</u>	<u>(13,970)</u>	<u>(13,970)</u>	Finding 6
Total program costs	<u>\$ 184,863</u>	93,368	<u>\$ (91,495)</u>	
Less amount paid by the State ³		<u>(184,863)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (91,495)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 8,816	\$ 1,802	\$ (7,014)	Finding 1
Pretest and posttest coordination	86,180	13,490	(72,690)	Finding 1
Test administration	5,033	2,782	(2,251)	Finding 1
Reporting and recordkeeping	8,836	1,055	(7,781)	Finding 1
Total salaries and benefits	<u>108,865</u>	<u>19,129</u>	<u>(89,736)</u>	
Materials and supplies:				
Reporting and recordkeeping	1,177	1,957	780	Finding 2
Total materials and supplies	<u>1,177</u>	<u>1,957</u>	<u>780</u>	
Total direct costs	110,042	21,086	(88,956)	
Indirect costs	<u>4,300</u>	<u>833</u>	<u>(3,467)</u>	Findings 1, 5
Total direct and indirect costs	114,342	21,919	(92,423)	
Less offsetting reimbursements	—	(13,914)	(13,914)	Finding 6
Total program costs	<u>\$ 114,342</u>	8,005	<u>\$ (106,337)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,005</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 6,393	\$ 3,395	\$ (2,998)	Finding 1
Pretest and posttest coordination	47,379	24,850	(22,529)	Finding 1
Test administration	18,057	1,194	(16,863)	Finding 1
Reporting and recordkeeping	13,069	3,211	(9,858)	Finding 1
Total salaries and benefits	<u>84,898</u>	<u>32,650</u>	<u>(52,248)</u>	
Materials and supplies:				
Training, policies, and procedures	3,500	—	(3,500)	Finding 2
Reporting and recordkeeping	5,000	1,874	(3,126)	Finding 2
Total materials and supplies	<u>8,500</u>	<u>1,874</u>	<u>(6,626)</u>	
Total direct costs	93,398	34,524	(58,874)	
Indirect costs	<u>3,116</u>	<u>1,267</u>	<u>(1,849)</u>	Findings 1, 5
Total direct and indirect costs	96,514	35,791	(60,723)	
Less offsetting reimbursements	<u>(20,984)</u>	<u>(13,342)</u>	<u>7,642</u>	Finding 6
Total program costs	<u>\$ 75,530</u>	22,449	<u>\$ (53,081)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 22,449</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments
<u>Summary: July 1, 1997 through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 53,923	\$ 39,347	\$ (14,576)
Test Materials, Supplies, and Equipment	775	693	(82)
Pretest and posttest coordination	612,666	362,862	(249,804)
Test administration	268,071	136,499	(131,572)
Reporting and recordkeeping	102,245	59,730	(42,515)
Total salaries and benefits	<u>1,037,680</u>	<u>599,131</u>	<u>(438,549)</u>
Materials and supplies:			
Training, policies, and procedures	4,863	882	(3,981)
Test materials, supplies, and equipment	13	3,665	3,652
Reporting and recordkeeping	36,784	13,199	(23,585)
Total materials and supplies	<u>41,660</u>	<u>17,746</u>	<u>(23,914)</u>
Contracted services:			
Pretest and posttest coordination	—	34,833	34,833
Reporting and recordkeeping	—	6,905	6,905
Total contracted services	<u>—</u>	<u>41,738</u>	<u>41,738</u>
Travel and training:			
Training, policies, and procedures	145	—	(145)
Total Travel and Training	<u>145</u>	<u>—</u>	<u>(145)</u>
Total direct costs	1,079,485	658,615	(420,870)
Indirect costs	46,985	29,696	(17,289)
Total direct and indirect costs	1,126,470	688,311	(438,159)
Less offsetting reimbursements	(113,754)	(168,038)	(54,284)
Less allowable costs that exceed claimed costs	—	(16,243)	(16,243)
Total program costs	<u>\$ 1,012,716</u>	504,030	<u>\$ (508,686)</u>
Less amount paid by the State		(188,651)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 315,379</u>	

¹ See the Findings and Recommendations section.

² Government Code section 17568 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 1997-98.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$1,037,680 in salaries and benefits and \$45,528 in related indirect costs for the audit period. We found that \$438,549 in salaries and benefits and \$18,715 in related indirect costs are unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs.

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

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ (2,265)	\$ (8,100)	\$ 3,483	\$ 3,044	\$ (726)	\$ (7,014)	\$ (2,998)	\$ (14,576)
Test materials, supplies, and equipment	—	(82)	—	—	—	—	—	(82)
Pretest and posttest coordination	(5,062)	(33,079)	(35,248)	(41,406)	(39,790)	(72,690)	(22,529)	(249,804)
Test administration	(17,155)	(27,124)	(22,678)	(24,098)	(21,403)	(2,251)	(16,863)	(131,572)
Reporting and recordkeeping	(907)	(4,564)	(5,968)	(7,691)	(5,746)	(7,781)	(9,858)	(42,515)
Total salaries and benefits	(25,389)	(72,949)	(60,411)	(70,151)	(67,665)	(89,736)	(52,248)	(438,549)
Related indirect costs	(1,271)	(3,362)	(2,404)	(3,023)	(3,193)	(3,544)	(1,918)	(18,715)
Audit adjustment	\$ (26,660)	\$ (76,311)	\$ (62,815)	\$ (73,174)	\$ (70,858)	\$ (93,280)	\$ (54,166)	\$ (457,264)

Unsupported, ineligible, and unclaimed hours

The district supported claimed costs with three sets of annual certifications of hours spent on each STAR activity by school (one for FY 1997-98 through 2001-02, one for FY 2002-03, and one for FY 2003-04). We reconciled claimed employee hours to the certifications provided by the district. Our audit found instances of unsupported and ineligible costs, including certifications that did not provide names and/or job classifications, and ineligible training hours that exceeded the one-time per employee requirement allowed by the program's parameters and guidelines.

The following table summarizes the unallowable salaries and benefits that resulted from unsupported, ineligible and unclaimed hours, by fiscal year and reimbursable activities:

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ (2,265)	\$ (2,518)	\$ 6,660	\$ 4,983	\$ (477)	\$ (6,098)	\$ (1,137)	\$ (852)
Test materials, supplies, and equipment	—	—	—	—	—	—	—	—
Pretest and posttest coordination	(5,062)	(5,944)	(7,907)	(7,188)	(10,176)	(65,836)	(8,911)	(111,024)
Test administration	(17,155)	(18,073)	(9,674)	(9,513)	(8,132)	(838)	(16,208)	(79,593)
Reporting and recordkeeping	(907)	(935)	(361)	(963)	338	(7,245)	(8,099)	(18,172)
Audit adjustment	\$ (25,389)	\$ (27,470)	\$ (11,282)	\$ (12,681)	\$ (18,447)	\$ (80,017)	\$ (34,355)	\$ (209,641)

Reimbursable percentages

The district claimed STAR costs for the following four tests:

1. California Standards Tests (CST)
2. Stanford Achievement Test Series, Ninth Edition SAT-9, or CAT/6 (commencing with FY 2002-03)
3. Spanish Assessment of Basic Education, Second Edition (SABE/2)
4. California Alternate Performance Assessment (CAPA)

The program's parameters and guidelines for the mandated STAR program only allow the costs of the following two tests: 1) SAT-9 (CAT/6) and 2) 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 combined the costs related to the reimbursable tests with all STAR tests throughout the audit period with the exception of FY 1997-98 through FY 2001-02, for which the district identified the SABE/2 hours for some of the Pretest and Posttest Coordination cost component and the Test Administration cost component. The district was not consistent in identifying hours attributed to SABE/2 throughout the audit period and among reimbursable activities. A separate calculation using different reimbursable percentages for various activities did not materially affect the adjustment. Therefore, an annual reimbursable percentage was applied to supported hours for all four STAR tests.

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 over all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 68.83% for FY 1998-99, 68.87% for FY 1999-2000, 65.12% for FY 2000-01, 67.13% for FY 2001-02, 66.31% for FY 2002-03, and 64.60% FY 2003-04.

To calculate allowable salaries and benefits, we multiplied supported costs for all four STAR tests by allowable productive hourly rates and reimbursable percentages for the entire audit period. We concluded that the district claimed \$228,908 in salaries and benefits that were not related to the mandate.

The following table summarizes salaries and benefits related to CST and CAPA tests by fiscal year and reimbursable activities that are not reimbursable under the mandated program.

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ —	\$ (5,582)	\$ (3,177)	\$ (1,939)	\$ (249)	\$ (916)	\$ (1,861)	\$ (13,724)
Test materials, supplies, and equipment	—	(82)	—	—	—	—	—	(82)
Pretest and posttest coordination	—	(27,135)	(27,341)	(34,218)	(29,614)	(6,854)	(13,618)	(138,780)
Test administration	—	(9,051)	(13,004)	(14,585)	(13,271)	(1,413)	(655)	(51,979)
Reporting and recordkeeping	—	(3,629)	(5,607)	(6,728)	(6,084)	(536)	(1,759)	(24,343)
Audit adjustment	\$ —	\$ (45,479)	\$ (49,129)	\$ (57,470)	\$ (49,218)	\$ (9,719)	\$ (17,893)	\$ (228,908)

The parameters and guidelines (section V.A.1, Claim Preparation and Submission – Direct Cost Reporting – Salaries and Benefits) 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.A, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

The parameters and guidelines (section IV.A, Reimbursable Activities – Training, Policies, and Procedures) state:

Reviewing the requirement of the STAR Program and conducting or attending training sessions. Increased costs for substitute teacher time during the school day or for teacher stipends to attend training sessions outside the regular school day (after school or on Saturday) are eligible for reimbursement. However, the time the teacher spends to attend training sessions during that teacher’s normal classroom hours is not reimbursable. (One-time activity per employee per test site)

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

**FINDING 2—
Unallowable materials
and supplies**

The district claimed \$41,660 in materials and supplies and \$1,450 in related indirect costs for the audit period. We determined that \$23,914 in materials and supplies and \$801 in related indirect costs were unallowable. The unallowable costs occurred primarily because the district claimed ineligible and unsupported costs.

The following table summarizes the unallowable materials and supplies costs, by fiscal year and reimbursable activities:

Reimbursable Components	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Training, policies, and procedures	\$ (400)	\$ (81)	\$ —	\$ —	\$ —	\$ —	\$ (3,500)	\$ (3,981)
Test materials, supplies, and equipment	3,148	504	—	—	—	—	—	3,652
Reporting and record keeping	(2,823)	(3,504)	(4,635)	(3,911)	(6,366)	780	(3,126)	(23,585)
Total materials and supplies	(75)	(3,081)	(4,635)	(3,911)	(6,366)	780	(6,626)	(23,914)
Related indirect costs	(4)	(142)	(185)	(169)	(301)	— ¹	— ²	(801)
Audit adjustment	\$ (79)	\$ (3,223)	\$ (4,820)	\$ (4,080)	\$ (6,667)	\$ 780	\$ (6,626)	\$ (24,715)

(^{1,2} - See Finding 5)

Ineligible and unsupported costs

For the Training, Policies, and Procedures cost component, the district claimed \$4,863 for the audit period. Of that amount, \$3,981 for FY 1997-98, FY 1998-99, and FY 2003-04 is unallowable. Allowable costs related to the purchases of SAT-9 classroom planning and SABE/2 practice tests total \$882.

For the Test Materials, Supplies, and Equipment cost component, the district claimed \$13 for the audit period. The district understated the costs by \$3,652 for FY 1997-98 and FY 1998-99. Allowable costs related to the purchases for SAT-9 booklets and SABE/2 forms total \$3,665.

For the Reporting and Recordkeeping cost component, the district claimed \$36,784 for the audit period. The district did not provide supporting documents for these costs. We recalculated postage costs using the first-class U.S. Postal Service postage rates obtained from the postal service website, and the number of students tested district-wide for FY 1997-98 through FY 2003-04, obtained from the CDE website. As the costs of postage for mailing reports to parents included the distribution of all four STAR tests, we applied the reimbursable rates to reflect the portion of costs attributed to only the reimbursable tests. As a result, we determined that \$13,199 is allowable and \$23,585 is unallowable.

The district provided invoices to support its purchases of materials and supplies. We reconciled the claimed materials and supplies to the invoices provided. None of the invoices agreed with claimed materials and supplies. However, the invoices supported some costs reimbursable

under the mandate. The total audit adjustment related to unsupported STAR test costs totaled \$18,451, and the adjustment related to the two tests that are not reimbursable was \$5,463 (see reimbursable percentage rates in Finding 1).

The parameters and guidelines (section V.A.2, Claim Preparation and Submission – Direct Cost Reporting – Materials and Supplies) require the district to report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (section IV.B, Reimbursable Activities – Test Materials, Supplies, and Equipment) state that Test Materials, Supplies, and Equipment costs are reimbursable for the period of January 2, 1998 through December 15, 1999.

The parameters and guidelines (section VI.A, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

FINDING 3— Understated contracted services

The district did not claim contracted services for the audit period. We determined that the district understated contracted services by \$41,738 and related indirect costs by \$2,088. During the course of audit, the district provided documents that supported mandate-related contracted services for FY 1997-98 and FY 1998-99.

The following table summarizes the unclaimed contracted services costs by fiscal year and reimbursable activities:

Reimbursable Component	Fiscal Year		Total
	1997-98	1998-99	
Contracted services:			
Pretest and posttest coordination	\$ 34,061	\$ 772	\$ 34,833
Reporting and recordkeeping	6,905	—	6,905
Total contracted services	40,966	772	41,738
Related indirect costs	2,052	36	2,088
Audit adjustment	\$ 43,018	\$ 808	\$ 43,826

For the Pretest and Posttest Coordination cost component, the district understated contracted services by \$34,833 for FY 1997-98 and FY 1998-99. The district provided invoices that identified allowable activities provided by the contracted vendor for SAT-9 and SABE/2 testing.

For the Reporting and Recordkeeping cost component, the district understated the contracted services by \$6,905 for FY 1997-98. The district provided an invoice that identified allowable activities performed by the contracted vendor for SAT-9 testing.

The parameters and guidelines (section V.A.3, Claim Preparation and Submission – Direct Cost Reporting – Contract Services) require the district to report the cost of contracted services performed to implement the reimbursable activities.

The parameters and guidelines (section VI.A, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

FINDING 4— Unsupported travel and training

The district claimed \$145 of travel and training related to the Training, Policies, and Procedures cost component, and \$7 in related indirect costs for the audit period. We determined that the costs were unsupported.

The following table summarizes the unallowable costs by fiscal year and reimbursable activities:

Reimbursable Component	Fiscal Year		Total
	1997-98	1998-99	
Travel and training:			
Training, policies, and procedures	\$ (34)	\$ (111)	\$ (145)
Related indirect costs	(2)	(5)	(7)
Audit adjustment	<u>\$ (36)</u>	<u>\$ (116)</u>	<u>\$ (152)</u>

The district claimed travel and training costs of \$145 for the Training, Policies, and Procedures cost component. The district did not provide any supporting documentation for the claimed travel and training costs.

The parameters and guidelines (section V.A.5, Claim Preparation and Submission – Direct Cost Reporting – Travel) require the district to report the name of the employee traveling for the purpose of the reimbursable activities. The district is to also include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee.

The parameters and guidelines (section V.A.5, Claim Preparation and Submission – Direct Cost Reporting – Training) require the district to report the cost of training an employee to perform the reimbursable activities.

The parameters and guidelines (section VI.A, Supporting Data – Source Documents) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

**FINDING 5—
Unclaimed indirect costs for materials and supplies**

The district did not claim indirect costs for materials and supplies for FY 2002-03 and FY 2003-04 totaling \$146. The unclaimed indirect costs occurred as a result of an erroneous instruction on SCO’s Form STR-1 used to file the STAR Program mandate claims. The September 2003 claiming instructions state that the J-380 indirect cost rate is to be applied to only salaries and benefits instead of total direct costs.

The following table summarizes the allowable related indirect costs on materials and supplies costs by fiscal year and reimbursable activities:

	Fiscal Year		Total
	2002-03	2003-04	
Allowable materials and supplies	\$ 1,957	\$ 1,874	\$ 3,831
Allowable indirect rate	3.95%	3.67%	
Allowable indirect costs	\$ 77	\$ 69	\$ 146

The parameters and guidelines, (section V.B, Claim Preparation and Submission – Indirect Cost Rates) state that school districts must use the indirect rate approved by the California Department of Education (CDE).

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

**FINDING 6—
Understated offsetting reimbursements**

The district reported offsetting reimbursements of \$113,754 for the audit period. We found that the district understated offsetting reimbursements totaling \$54,284. The understatement occurred because the district received \$220,676 of annual STAR apportionments from the CDE and did not properly account for the mandate-related portion of annual STAR apportionments it received from the CDE totaling \$168,038.

We calculated the understated reimbursement as follows:

- Verified the amounts of annual STAR apportionments received by the district, and
- Multiplied the reimbursable ratio of mandated tests to the number of all STAR tests administered (as identified in Finding 1).

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

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Offsetting reimbursements:								
CDE apportionments	\$ 59,821	\$ 60,381	\$ 17,785	\$ 20,242	\$ 20,810	\$ 20,984	\$ 20,653	\$ 220,676
Mandate-related percentage	(100)%	(68.83)%	(68.87)%	(65.12)%	(67.13)%	(66.31)%	(64.60)%	
Mandate-related apportionments	(59,821)	(41,560)	(12,249)	(13,182)	(13,970)	(13,914)	(13,342)	(168,038)
Claimed CDE apportionments	59,821	20,103	6,633	6,213	—	—	20,984	113,754
Audit adjustment	\$ —	\$ (21,457)	\$ (5,616)	\$ (6,969)	\$ (13,970)	\$ (13,914)	\$ 7,642	\$ (54,284)

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

Recommendation

No recommendation is applicable for this audit, as the STAR Program is no longer mandated.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>