POWAY UNIFIED SCHOOL DISTRICT

Revised Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 2000, through June 30, 2003

BETTY T. YEE
California State Controller

June 2015

BETTY T. YEE
California State Controller

June 17, 2015

Kimberley Beatty, President
Board of Education
Poway Unified School District
15250 Avenue of Science
San Diego, CA 92128

Dear Ms. Beatty:

The State Controller's Office audited the claims filed by Poway Unified School District for costs of the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2000, through June 30, 2003.

This revised final audit report supersedes our previous final report, issued on August 31, 2005. We revised the Finding of the final report to allow costs for declarations associated with updating the earthquake emergency procedure system, and training costs not attributable to in-classroom teacher time spent on the instruction of students on the earthquake emergency procedure system. These revisions are based on a statement of decision adopted by the Commission on State Mandates (Commission) on January 23, 2015. The statement of decision responded to an incorrect reduction claim the district filed with the Commission on the original audit adjustments. These revisions increased allowable costs by $285,974, from $15,144 to $301,118.

The district claimed $753,508 for the mandated program. Our audit found that $301,118 is allowable and $452,390 is unallowable. The costs are unallowable because the district claimed unallowable salaries, benefits, and related indirect costs. The State paid the district $15,144. The State will pay allowable costs claimed that exceed the amount paid, totaling $285,974, contingent on available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: John P. Collins Ed.D., Superintendent
Poway Unified School District
Malliga Tholandi, Associate Superintendent
Business Support Services
Poway Unified School District
Joy Ramiro, Director, Finance
Poway Unified School District
Brent Watson, Executive Director
Business Advisory Services
San Diego County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
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

Contents

Revised Audit Report

Summary 1

Background 1

Objective, Scope, and Methodology 1

Conclusion 2

Views of Responsible Officials 2

Restricted Use 2

Revised Schedule 1—Summary of Program Costs 3

Revised Finding and Recommendation 4

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Poway Unified School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2000, through June 30, 2003.

The district claimed $753,508 for the mandated program. Our audit found that $301,118 is allowable and $452,390 is unallowable. The costs are unallowable because the district claimed unallowable salaries, benefits, and related indirect costs. The State paid the district $15,144. The State will pay allowable costs claimed that exceed the amount paid, totaling $285,974, contingent on available appropriations.

Background

Chapter 1659, Statutes of 1984, added and amended Education Code sections 35295, 35296, 35297, 40041.5, and 40042. The law requires each school district and county superintendent of schools to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the law requires that school districts allow public agencies to use school buildings, grounds, and equipment for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the Commission on State Mandates (Commission) determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on March 23, 1989 (last amended on May 29, 2003). 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.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Emergency Procedures, Earthquake Procedures, and Disasters Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable

assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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 disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Poway Unified School District claimed $753,508 for costs of the Emergency Procedures, Earthquake Procedures, and Disasters Program. Our audit found that $301,118 is allowable and $452,390 is unallowable. The State paid the district $15,144. The State will pay allowable costs claimed that exceed the amount paid, totaling $285,974, contingent upon available appropriations.

Views of Responsible Officials

We issued the final audit report on August 31, 2005. We revised the final report based on a statement of decision adopted by the Commission on January 23, 2015. The statement of decision responded to an incorrect reduction claim the district filed with the Commission on the original audit adjustments. Based on the Commission decision, we revised the audit report to allow costs for declarations associated with updating the earthquake emergency procedure system and training costs not attributable to in-classroom teacher time spent on the instruction of students on the earthquake emergency procedure system. These revisions increased allowable costs by $285,974, from $15,144 to $301,118.

On June 1, 2015, we sent a draft copy of the revised final report to Malliga Tholandi, Associate Superintendent, Business Support; and Naomi Sweet, Finance Administrative Assistant. Ms. Sweet requested and we provided work papers to support the audit adjustments. On June 2, 2015, Ms. Sweet responded by email, stating "We have reviewed the work papers. Please proceed with the final audit report."

Restricted Use

This report is solely for the information and use of the Poway Unified School District, the San Diego 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

June 17, 2015

Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments [1]
July 1, 2000, through June 30, 2001			
Direct costs:			
Salaries and benefits	$ 210,031	$ 86,595	$ (123,436)
Materials and supplies	299	299	-
Total direct costs	210,330	86,894	(123,436)
Indirect costs	6,436	2,659	(3,777)
Total program costs	$ 216,766	89,553	$ (127,213)
Less amount paid by the State		(4,108)	
Allowable costs claimed in excess of (less than) amount paid		$ 85,445	
July 1, 2001, through June 30, 2002			
Direct costs:			
Salaries and benefits	$ 229,122	$ 98,416	$ (130,706)
Materials and supplies	84	84	-
Total direct costs	229,206	98,500	(130,706)
Indirect costs	10,635	4,570	(6,065)
Total program costs	$ 239,841	103,070	$ (136,771)
Less amount paid by the State		(11,036)	
Allowable costs claimed in excess of (less than) amount paid		$ 92,034	
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries and benefits	$ 284,034	$ 103,793	$ (180,241)
Materials and supplies	-	-	-
Total direct costs	284,034	103,793	(180,241)
Indirect costs	12,867	4,702	(8,165)
Total program costs	$ 296,901	108,495	$ (188,406)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 108,495	
Summary: July 1, 2000, through June 30, 2003			
Direct costs:			
Salaries and benefits	$ 723,187	$ 288,804	$ (434,383)
Materials and supplies	383	383	-
Total direct costs	723,570	289,187	(434,383)
Indirect costs	29,938	11,931	(18,007)
Total program costs	$ 753,508	301,118	$ (452,390)
Less amount paid by the State		(15,144)	
Allowable costs claimed in excess of (less than) amount paid		$ 285,974	

[1] See the Finding and Recommendation section.

Revised Finding and Recommendation

FINDING—
Unallowable salary, benefits, and related indirect costs

The district claimed unallowable salary and benefit costs totaling $434,383 for the audit period. The related indirect costs totaled $18,007. The costs are unallowable because the district claimed unallowable salaries, benefits, and related indirect costs. The district claimed salary and benefit costs for updating the earthquake emergency procedure system and training staff.

Updating System

The district claimed costs for updating its Standardized Emergency Management System (SEMS). However, SEMS includes all disaster scenarios; it is not limited to earthquakes. The district did not provide any documentation to show SEMS costs specifically attributable to earthquakes; therefore, the district did not document actual mandate-related costs. Furthermore, the district did not provide any supporting documentation for $19,452 of the costs claimed.

Training Staff

The district claimed 1.5 hours per district employee for fiscal year (FY) 2000-01 and FY 2001-02, and 1.75 hours per district employee for FY 2002-03. The district provided employee declarations signed by school principals, which indicate that all school site employees attended 1.5 or 1.75 hours of training.

The district claimed both in-classroom teachers and non in-classroom teachers in the fiscal years under audit. Per the program's parameters and guidelines, in-classroom teachers that provide instruction to students on the earthquake emergency procedure system are not reimbursable. In the Commission's statement of decision, the district stated (related to staff training) that "all teachers claimed are in-classroom teachers who should be excluded, that is, not claimed. . ." Per the Commission decision, we allowed training that is not attributable to in-classroom teachers.

The following table summarizes the audit adjustment.

	Fiscal Year			
	2000-01	2001-02	2002-03	Total
Salary and benefit costs:				
Updating system -				
Not mandate-related	$ (5,395)	$ (16,137)	$ (10,873)	$ (32,405)
No supporting documentation	(2,189)	(163)	(17,100)	(19,452)
Subtotal	(7,584)	(16,300)	(27,973)	(51,857)
Employee training	(115,852)	(114,406)	(152,268)	(382,526)
Total salary and benefit costs	(123,436)	(130,706)	(180,241)	(434,383)
Related indirect costs	(3,777)	(6,065)	(8,165)	(18,007)
Audit adjustment	$ (127,213)	$ (136,771)	$ (188,406)	$ (452,390)

The parameters and guidelines state:

> To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.
>
> Evidence corroborating the source documents may include . . . declarations. . . . However, corroborating documents cannot be substituted for source documents.

Regarding reimbursable activities, the parameters and guidelines state:

> . . . in-classroom teacher time spent on the instruction of students on the earthquake emergency procedure system is not reimbursable.

To claim salary and benefit costs, the parameters and guidelines requires districts to:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

To claim training costs, the parameters and guidelines requires districts to:

> . . . Report the name and job classification of each employee [attending training]. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro rata portion can be claimed. . . .

<u>Recommendation</u>

No recommendation is applicable for this finding, as the Emergency Procedures, Earthquake Procedures, and Disasters Program is no longer mandated.

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

http://www.sco.ca.gov

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