



**JOHN CHIANG**  
California State Controller

September 23, 2014

Catherine Nichols, Ed.D., District Superintendent  
Covina-Valley Unified School District  
519 East Badillo Street  
Covina, CA 91723

Dear Dr. Nichols:

The State Controller's Office reviewed the costs claimed by Covina-Valley 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, 2004. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring claimed costs were mathematically accurate, ensuring that only allowable activities were claimed, and ensuring that the California's Department of Education's STAR Program apportionment was properly offset.

The district claimed \$1,302,850 for the mandated program. Our review found that \$578,957 is allowable and \$723,893 is unallowable. The costs are unallowable because the district overstated salaries and benefits, understated materials and supplies, overstated indirect costs, and did not report offsetting reimbursements, as described in the attached Summary of Program Costs and the Findings and Recommendations.

For fiscal year (FY) 1997-98 claim, the State made no payment to the district. Our review found that \$89,096 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1998-99 claim, the State made no payment to the district. Our review found that \$43,709 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$174,660. Our review found that \$86,161 is allowable. The State will apply \$88,499 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2000-01 claim, the State paid the district \$188,980. Our review found that \$78,802 is allowable. The State will apply \$110,178 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2001-02 claim, the State made no payment to the district. Our review found that \$80,573 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our review found that \$131,484 is allowable. The State will pay the amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our review found that \$69,132 is allowable. The State will pay that amount, contingent upon available appropriations.

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: S15-MCC-9000

cc: Jennifer Root, Chief Business Officer  
Covina-Valley Unified 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	Reference <sup>1</sup>
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 13,858	\$ 13,858	\$ —	Finding 1
Test materials, supplies, and equipment	622	622	—	Finding 1
Pretest and posttest coordination	111,905	71,957	(39,948)	Finding 1
Test administration	9,564	9,564	—	Finding 1
Reporting and recordkeeping	35,484	35,484	—	Finding 1
Total salaries and benefits	171,433	131,485	(39,948)	
Materials and supplies:				
Test materials, supplies, and equipment	18	18	—	Finding 2
Reporting and recordkeeping	14	17,931	17,917	Finding 2
Total materials and supplies	32	17,949	17,917	
Total direct costs	171,465	149,434	(22,031)	
Indirect costs	6,893	7,920	1,027	Finding 3
Total direct and indirect costs	178,358	157,354	(21,004)	
Less offsetting reimbursements	—	(68,258)	(68,258)	Finding 4
Total program costs	<u>\$ 178,358</u>	89,096	<u>\$ (89,262)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,096</u>		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,143	\$ —	\$ (14,143)	Finding 1
Test materials, supplies, and equipment	636	450	(186)	Finding 1
Pretest and posttest coordination	113,974	51,752	(62,222)	Finding 1
Test administration	9,796	6,926	(2,870)	Finding 1
Reporting and recordkeeping	36,243	25,624	(10,619)	Finding 1
Total salaries and benefits	174,792	84,752	(90,040)	
Materials and supplies:				
Test materials, supplies, and equipment	18	13	(5)	Finding 2
Reporting and recordkeeping	14	13,469	13,455	Finding 2
Total materials and supplies	32	13,482	13,450	
Total direct costs	174,824	98,234	(76,590)	
Indirect costs	7,028	4,283	(2,745)	Finding 3
Total direct and indirect costs	181,852	102,517	(79,335)	
Less offsetting reimbursements	—	(58,808)	(58,808)	Finding 4
Total program costs	<u>\$ 181,852</u>	43,709	<u>\$ (138,143)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 43,709</u>		

## Attachment 1 (continued)

Cost Elements	Actual Cost Claimed	Allowable Per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,438	\$ —	\$ (14,438)	Finding 1
Test materials, supplies, and equipment	651	460	(191)	Finding 1
Pretest and posttest coordination	116,078	52,584	(63,494)	Finding 1
Test administration	10,034	7,087	(2,947)	Finding 1
Reporting and recordkeeping	37,013	26,142	(10,871)	Finding 1
Total salaries and benefits	178,214	86,273	(91,941)	
Materials and supplies:				
Test materials, supplies, and equipment	18	13	(5)	Finding 2
Reporting and recordkeeping	14	13,569	13,555	Finding 2
Total materials and supplies	32	13,582	13,550	
Total direct costs	178,246	99,855	(78,391)	
Indirect costs	7,165	2,956	(4,209)	Finding 3
Total direct and indirect costs	185,411	102,811	(82,600)	
Less offsetting reimbursements	—	(16,650)	(16,650)	Finding 4
Total program costs	<u>\$ 185,411</u>	86,161	<u>\$ (99,250)</u>	
Less amount paid by the State <sup>2</sup>		(174,660)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (88,499)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,655	\$ —	\$ (14,655)	Finding 1
Test materials, supplies, and equipment	664	429	(235)	Finding 1
Pretest and posttest coordination	117,585	48,693	(68,892)	Finding 1
Test administration	10,194	6,587	(3,607)	Finding 1
Reporting and recordkeeping	37,418	24,180	(13,238)	Finding 1
Total salaries and benefits	180,516	79,889	(100,627)	
Materials and supplies:				
Test materials, supplies, and equipment	18	12	(6)	Finding 2
Reporting and recordkeeping	14	13,068	13,054	Finding 2
Total materials and supplies	32	13,080	13,048	
Total direct costs	180,548	92,969	(87,579)	
Indirect costs	8,432	3,738	(4,694)	Finding 3
Total direct and indirect costs	188,980	96,707	(92,273)	
Less offsetting reimbursements	—	(17,905)	(17,905)	Finding 4
Total program costs	<u>\$ 188,980</u>	78,802	<u>\$ (110,178)</u>	
Less amount paid by the State <sup>2</sup>		(188,980)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (110,178)</u>		

## Attachment 1 (continued)

Cost Elements	Actual Cost Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,655	\$ —	\$ (14,655)	Finding 1
Test materials, supplies, and equipment	664	432	(232)	Finding 1
Pretest and posttest coordination	117,585	49,077	(68,508)	Finding 1
Test administration	10,194	6,639	(3,555)	Finding 1
Reporting and recordkeeping	37,418	24,370	(13,048)	Finding 1
Total salaries and benefits	<u>180,516</u>	<u>80,518</u>	<u>(99,998)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	18	12	(6)	Finding 2
Pretest and posttest coordination	903	588	(315)	Finding 2
Reporting and recordkeeping	14	13,647	13,633	Finding 2
Total materials and supplies	<u>935</u>	<u>14,247</u>	<u>13,312</u>	
Total direct costs	181,451	94,765	(86,686)	
Indirect costs	7,294	4,425	(2,869)	Finding 3
Total direct and indirect costs	188,745	99,190	(89,555)	
Less offsetting reimbursements	—	(18,617)	(18,617)	Finding 4
Total program costs	<u>\$ 188,745</u>	<u>80,573</u>	<u>\$ (108,172)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 80,573</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 8,101	\$ 3,353	\$ (4,748)	Finding 1
Test materials, supplies, and equipment	10,684	6,690	(3,994)	Finding 1
Pretest and posttest coordination	89,567	56,087	(33,480)	Finding 1
Test administration	60,125	37,650	(22,475)	Finding 1
Reporting and recordkeeping	36,854	23,078	(13,776)	Finding 1
Total salaries and benefits	<u>205,331</u>	<u>126,858</u>	<u>(78,473)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	29,320	—	(29,320)	Finding 2
Reporting and recordkeeping	—	15,848	15,848	Finding 2
Total materials and supplies	<u>29,320</u>	<u>15,848</u>	<u>(13,472)</u>	
Total direct costs	234,651	142,706	(91,945)	
Indirect costs	12,038	7,321	(4,717)	Finding 3
Total direct and indirect costs	246,689	150,027	(96,662)	
Less offsetting reimbursements	—	(18,543)	(18,543)	Finding 4
Total program costs	<u>\$ 246,689</u>	<u>131,484</u>	<u>\$ (115,205)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 131,484</u>		

## Attachment 1 (continued)

Cost Elements	Actual Cost Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 14,808	\$ 4,721	\$ (10,087)	Finding 1
Test materials, supplies, and equipment	13,434	8,175	(5,259)	Finding 1
Pretest and posttest coordination	37,363	22,735	(14,628)	Finding 1
Test administration	32,833	19,979	(12,854)	Finding 1
Reporting and recordkeeping	20,624	12,550	(8,074)	Finding 1
Total salaries and benefits	<u>119,062</u>	<u>68,160</u>	<u>(50,902)</u>	
Materials and supplies:				
Training, policies, and procedures	66	40	(26)	Finding 2
Test materials, supplies, and equipment	5,231	—	(5,231)	Finding 2
Pretest and posttest coordination	200	122	(78)	Finding 2
Reporting and recordkeeping	302	13,823	13,521	Finding 2
Total materials and supplies	<u>5,799</u>	<u>13,985</u>	<u>8,186</u>	
Total direct costs	124,861	82,145	(42,716)	
Indirect costs	7,954	5,233	(2,721)	Finding 3
Total direct and indirect costs	132,815	87,378	(45,437)	
Less offsetting reimbursements	—	(18,246)	(18,246)	Finding 4
Total program costs	<u>\$ 132,815</u>	69,132	<u>\$ (63,683)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,132</u>		
<u>Summary: July 1, 1997 through June 30, 2004</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 94,658	\$ 21,932	\$ (72,726)	
Test materials, supplies, and equipment	27,355	17,258	(10,097)	
Pretest and posttest coordination	704,057	352,885	(351,172)	
Test administration	142,740	94,432	(48,308)	
Reporting and recordkeeping	241,054	171,428	(69,626)	
Total salaries and benefits	<u>1,209,864</u>	<u>657,935</u>	<u>(551,929)</u>	
Materials and supplies:				
Training, policies, and procedures	66	40	(26)	
Test materials, supplies, and equipment	34,641	68	(34,573)	
Pretest and posttest coordination	1,103	710	(393)	
Reporting and recordkeeping	372	101,355	100,983	
Total materials and supplies	<u>36,182</u>	<u>102,173</u>	<u>65,991</u>	
Total direct costs	1,246,046	760,108	(485,938)	
Indirect costs	56,804	35,876	(20,928)	
Total direct and indirect costs	1,302,850	795,984	(506,866)	
Less offsetting revenues/reimbursements	—	(217,027)	(217,027)	
Total program costs	<u>\$ 1,302,850</u>	578,957	<u>\$ (723,893)</u>	
Less amount paid by the State		(363,640)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 215,317</u>		

<sup>1</sup> See Attachment 2, Findings and Recommendations.

<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

## Attachment 2— Findings and Recommendations July 1, 1997, through June 30, 2004

### Overall Review Results

The district claimed \$1,302,850 for the review period. We determined that \$578,957 is allowable and \$723,893 is unallowable. The unallowable costs occurred because the district overstated salaries and benefits by \$551,929, understated materials and supplies by \$65,991, overstated indirect costs \$20,928, and did not report offsetting reimbursements of \$217,027.

We informed Jennifer Root, Chief Business Officer, of the review findings via email on September 12, 2014. The district declined to provide a response.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

Fiscal Year	Claimed Costs	Allowable Costs	Review Adjustment
1997-98	\$ 178,358	\$ 89,096	\$ (89,262)
1998-99	181,852	43,709	(138,143)
1999-2000	185,411	86,161	(99,250)
2000-01	188,980	78,802	(110,178)
2001-02	188,745	80,573	(108,172)
2002-03	246,689	131,484	(115,205)
2003-04	132,815	69,132	(63,683)
Total	<u>\$ 1,302,850</u>	<u>\$ 578,957</u>	<u>\$ (723,893)</u>

### 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 (Commission) 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 Commission 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 Commission 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 Commission deleted the non-reimbursable activities and renamed the program to the National Norm-Referenced Achievement Test Program effective July 1, 2004.

### **FINDING 1— Overstated salaries and benefits**

The district claimed \$1,209,864 in salaries and benefits costs for the review period. We determined that \$657,935 is allowable and \$551,929 is unallowable. The costs are unallowable primarily because the district made mathematical errors on the claims and claimed ineligible costs.

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

Reimbursable Components	Fiscal Years							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:								
Training, policies, and procedures	\$ —	\$ (14,143)	\$ (14,438)	\$ (14,655)	\$ (14,655)	\$ (4,748)	\$ (10,087)	\$ (72,726)
Test materials, supplies, and equipment	—	(186)	(191)	(235)	(232)	(3,994)	(5,259)	(10,097)
Pretest and posttest coordination	(39,948)	(62,222)	(63,494)	(68,892)	(68,508)	(33,480)	(14,628)	(351,172)
Test administration	—	(2,870)	(2,947)	(3,607)	(3,555)	(22,475)	(12,854)	(48,308)
Reporting and recordkeeping	—	(10,619)	(10,871)	(13,238)	(13,048)	(13,776)	(8,074)	(69,626)
Review adjustment	<u>\$ (39,948)</u>	<u>\$ (90,040)</u>	<u>\$ (91,941)</u>	<u>\$ (100,627)</u>	<u>\$ (99,998)</u>	<u>\$ (78,473)</u>	<u>\$ (50,902)</u>	<u>\$ (551,929)</u>

#### *Claim Mathematical Errors:*

For the Pretest and Posttest Coordination reimbursable component, the district incorrectly calculated amounts from form STR2 detail, which roll over to form STR1 (claim summary) totals. These errors occurred in fiscal years 1997-98 through 2001-02. The mathematical errors resulted in a total overstatement of \$206,814.

*Claimed Activities:*

For the Training, Policies, and Procedures reimbursable component, the district claimed ineligible training hours that exceeded the one-time per employee requirement allowed by the program's parameters and guidelines. The ineligible training costs resulted in a total overstatement of \$67,686.

*Reimbursable Percentage:*

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); Stanford Achievement Test Series, Ninth Edition (SAT-9) or California Achievement Test, Sixth Edition Survey (CAT/6, commencing with FY 2002-03); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately identifying costs by individual test. Consequently, the district claimed reimbursement for costs unallowable under the mandate.

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: 100.00% for FY 1997-98; 70.70 % for FY 1998-99; 70.63% for FY 1999-00; 64.62% for FY 2000-01; 65.13% for FY 2001-02; 62.62% for FY 2002-03; and 60.85% for FY 2003-04.

To calculate allowable costs, we multiplied the claimed hours by the claimed productive hourly rates for various district classifications involved in each reimbursable activity. We further calculated what portion of the salary and benefit costs was attributed to the STAR tests that are reimbursable under the mandate. We concluded that the district claimed \$277,429 in salaries and benefits that were not related to the mandate.

The program's parameters and guidelines (section VI.A.) state:

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but not limited to worksheets, employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. . .

The parameters and guidelines (section IV.A.) state:

Reviewing the requirements 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 review, as the STAR Program is no longer mandated.

## **FINDING 2— Understated materials and supplies**

The district claimed \$36,182 in material and supplies costs for the review period. Our review determined that claimed costs were understated by the net amount of \$65,991 for the review period.

For the Test Materials, Supplies, and Equipment reimbursable component, the district claimed unallowable costs totaling \$34,551 in FY 2002-03 and FY 2003-04. The parameters and guidelines states that the costs incurred for this component were reimbursable for the period of January 2, 1998 through December 15, 1999. Therefore, the claimed costs totaling \$34,551 for FY 2002-03 and FY 2003-04 were outside the reimbursable period and are unallowable.

For the Reporting and Recordkeeping reimbursable component, the district understated costs totaling \$97,425. The district under-claimed reporting and recordkeeping costs for the entire review period. We calculated materials and supplies expenses related to mailing student test results to parents. We calculated postage costs for the total number of students tested in the district in each fiscal year. We then determined allowable costs by applying the reimbursable ratio of mandated tests over all STAR tests administered in the district (as identified in Finding 1).

All other adjustments for the fiscal years in our review period were the result of the applying the mandate-related reimbursable percentages.

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

Reimbursable Component	Fiscal Years							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Materials and supplies:								
Training, policies, and procedures	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (26)	\$ (26)
Test materials, supplies, and equipment	—	(5)	(5)	(6)	(6)	(29,320)	(5,231)	(34,573)
Pretest and posttest coordination	—	—	—	—	(315)	—	(78)	(393)
Reporting and recordkeeping	17,917	13,455	13,555	13,054	13,633	15,848	13,521	100,983
Review adjustment	\$ 17,917	\$ 13,450	\$ 13,550	\$ 13,048	\$ 13,312	\$ (13,472)	\$ 8,186	\$ 65,991

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 review, as the STAR Program is no longer mandated.

### **FINDING 3— Overstated indirect cost**

The district claimed \$56,804 in indirect costs for the review period. Our review determined that \$35,876 is allowable and \$20,928 is unallowable. The unallowable indirect costs, totaling a net amount of \$22,129, occurred as a result of the adjustments identified in Findings 1 and 2. The district also erroneously claimed incorrect indirect cost rates for FY 1997-98 through FY 2001-02.

The following tables summarize the indirect cost rate variances and indirect cost calculations by fiscal year:

	Fiscal Year				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Indirect cost rates:					
Allowable indirect cost rate	5.30%	4.36%	2.96%	4.02%	4.67%
Claimed indirect cost rate	4.02%	4.02%	4.02%	4.67%	4.02%
Indirect cost rate adjustment	1.28%	0.34%	(1.06)%	(0.65)%	0.65%

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
Indirect costs:								
Allowable direct costs	\$ 149,434	\$ 98,234	\$ 99,855	\$ 92,969	\$ 94,765	\$ 142,706	\$ 82,145	\$ 760,108
Allowable indirect rate	5.30%	4.36%	2.96%	4.02%	4.67%	5.13%	6.37%	
Allowable indirect costs	7,920	4,283	2,956	3,738	4,425	7,321	5,233	35,876
Less claimed indirect costs	6,893	7,028	7,165	8,432	7,294	12,038	7,954	56,804
Review adjustment	\$ 1,027	\$ (2,745)	\$ (4,209)	\$ (4,694)	\$ (2,869)	\$ (4,717)	\$ (2,721)	\$ (20,928)

The parameters and guidelines (section V.B.) state:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

Recommendation

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

**FINDING 4—  
Understated offsetting  
reimbursements**

The district did not report offsetting reimbursements, totaling \$217,027, because it did not report any of the STAR Program apportionments received from the CDE for the review period.

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 for the review period:

	Fiscal Year						Total	
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03		2003-04
Offsetting reimbursements:								
CDE apportionment	\$ (68,258)	\$ (83,180)	\$ (23,573)	\$ (27,708)	\$ (28,584)	\$ (29,612)	\$ (29,986)	\$ (290,901)
Mandate-related percentage	100%	70.70%	70.63%	64.62%	65.13%	62.62%	60.85%	
Mandate-related apportionment	(68,258)	(58,808)	(16,650)	(17,905)	(18,617)	(18,543)	(18,246)	(217,027)
Claimed CDE apportionments	—	—	—	—	—	—	—	—
Review adjustment	\$ (68,258)	\$ (58,808)	\$ (16,650)	\$ (17,905)	\$ (18,617)	\$ (18,543)	\$ (18,246)	\$ (217,027)

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 review, as the STAR Program is no longer mandated.