

STOCKTON UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2005, through June 30, 2009



JOHN CHIANG
California State Controller

October 2012



JOHN CHIANG
California State Controller

October 24, 2012

Sara L. Cazares, President
Board of Education
Stockton Unified School District
701 N. Madison Street
Stockton, CA 95202

Dear Ms. Cazares:

The State Controller's Office audited the costs claimed by Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

This revised final report supersedes our previous report dated October 27, 2010. Our original report identified unallowable costs totaling \$965,242 for fiscal year (FY) 2006-07, FY 2007-08, and FY 2008-09 because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$603,276 for the audit period.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, contingent upon available appropriations.

If you disagree with the audit findings, 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
Chief, Division of Audits

JVB/vb

cc: Steve Lowder, Ed.D., Superintendent
Stockton Unified School District
Wayne Martin, Chief Business Official
Stockton Unified School District
Dee Alimbini, Administrator
Child Welfare and Attendance
Stockton Unified School District
Anthony J. Gutierrez, President
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, January 31, 2008, and May 27, 2010. 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 Notification of Truancy Program for the period of July 1, 2005, through June 30, 2009.

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.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district did not submit a representation letter.

Conclusion

Our audit disclosed 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, Stockton Unified School District claimed \$1,304,263 for costs of the Notification of Truancy Program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State paid the district \$304,009 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 through FY 2008-09 claims, the State made no payment to the district. Our audit disclosed that \$603,276 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 25, 2010. Jason Willis, Chief Financial Officer, responded by letter dated September 21, 2010 (Attachment), disagreeing with the audit results. We issued our original final audit report on October 27, 2010.

Subsequently, we revised Finding 3 to allow partial reimbursement for noncompliant initial truancy notifications distributed during FY 2006-07, FY 2007-08, and FY 2008-09. As a result, we revised Finding 3 to reduce the audit adjustment from \$965,242 to \$361,966. On October 9, 2012, we notified Wayne Martin, Chief Business Official, of the final audit report revisions. Mr. Martin did not comment on the revisions.

Restricted Use

This report is solely for the information and use of Stockton Unified School District, the San Joaquin 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
Chief, Division of Audits

October 24, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	21,816	19,563	(2,253)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 339,021</u>	304,009	<u>\$ (35,012)</u>	
Less amount paid by the State ²		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	19,260	19,260	—	
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 311,049	\$ 311,049	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(116,643)</u>	<u>(116,643)</u>	Finding 3
Total program costs	<u>\$ 311,049</u>	194,406	<u>\$ (116,643)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 194,406</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	18,909	18,909	—	
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	\$ 326,748	\$ 326,748	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,531)</u>	<u>(122,531)</u>	Finding 3
Total program costs	<u>\$ 326,748</u>	204,217	<u>\$ (122,531)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,217</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	18,458	18,458	—	
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	\$ 327,445	\$ 327,445	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,792)</u>	<u>(122,792)</u>	Finding 3
Total program costs	<u>\$ 327,445</u>	204,653	<u>\$ (122,792)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,653</u>		

Revised Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>Summary: July 1, 2005, through June 30, 2009</u>				
Total program costs	<u>\$ 1,304,263</u>	\$ 907,285	<u>\$ (396,978)</u>	
Less amount paid by the State		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 603,276</u>		

¹ See the Revised Findings and Recommendations section.

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

Revised Findings and Recommendations

**FINDING 1—
Overstated, understated,
and unallowable initial
truancy notifications**

For fiscal year (FY) 2005-06, the district claimed costs for initial truancy notifications that were unallowable or not supported by the district’s records. Unallowable costs total \$8,796.

The number of initial truancy notifications claimed did not agree with the number documented in the district’s records. In addition, we reviewed the district’s records and identified unallowable initial truancy notifications attributable to:

- Notifications distributed in calendar years 1998 and 1999.
- Notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- Duplicate initial truancy notifications. This occurred because the district distributed more than one notification during the school year for the same student.

The following table summarizes the audit adjustment:

	Attendance Accounting Method		Total
	Daily	Period	
Number of initial truancy notifications documented	8,759	13,323	22,082
Less number of initial truancy notifications distributed in 1998 and 1999	(11)	(79)	(90)
Less number of initial truancy notifications distributed to charter school students	(7)	(9)	(16)
Less duplicate initial truancy notifications	(164)	(562)	(726)
Allowable initial truancy notifications	8,577	12,673	21,250
Less number of initial truancy notifications claimed	(8,784)	(13,032)	(21,816)
Unallowable initial truancy notifications	(207)	(359)	(566)
Uniform cost allowance	×\$15.54	×\$15.54	
Audit adjustment ¹	\$ (3,218)	\$ (5,578)	\$ (8,796)

¹ Calculation differences due to rounding.

The program’s parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year. We recommend that the district exclude from this count those notifications that it distributes for charter school students and duplicate notifications that it distributes for the same student.

District’s Response

The district concurred with the audit finding regarding duplicate initial truancy notifications and notifications distributed in calendar years 1998 and 1999.

The district had the following comments regarding initial truancy notifications issued for charter school students:

The SCO’s position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in January 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO’s claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

SCO’s Comment

Our finding and recommendation are unchanged. The district states, “The SCO is applying a new position retroactively to a time period when the prohibition did not exist.” We disagree. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates (CSM) issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560. Therefore, both the statutory language and the CSM’s statement of decision were effective before the district submitted its mandated cost claims.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$26,216 for FY 2005-06. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district's records identify those students for whom the district issued a "Letter 1," Letter 2," or "Letter 3." The initial truancy notification is Letter 1. The district issues Letter 2 and Letter 3 when the student accumulates additional unexcused absences after the district issued the initial truancy notification.

We stratified the population of allowable initial truancy notifications documented in Finding 1 to identify those students for whom the district issued Letter 1 only. These students accumulated the fewest number of unexcused absences. We excluded students who attended school on a year-round schedule.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we further stratified these students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. The district issued only Letter 1 for 4,230 students subject to daily attendance accounting and 3,505 students subject to period attendance accounting.

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed non-reimbursable initial truancy notifications for the following reasons:

- Students accumulated only three unexcused absences or tardiness occurrences.
- Students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications:

	Fiscal Year 2005-06
<u>Daily Attendance Accounting</u>	
Accumulated only three unexcused absences and tardiness occurrences	(31)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(9)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(12)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(52)</u>

Fiscal Year
2005-06Period Attendance Accounting

Accumulated only three unexcused absences and tardiness occurrences	(3)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(2)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(2)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>

The following table summarizes the number of unallowable initial truancy notifications identified from the sample, the sample size, the unallowable percentage, the extrapolated number of unallowable initial truancy notifications, and the audit adjustment:

Fiscal Year
2005-06Daily Attendance Accounting

Number of unallowable initial truancy notifications from sample	(52)
Sample size	<u>÷ 145</u>
Unallowable percentage	(35.86)%
Population sampled	<u>× 4,230</u>
Extrapolated number of unallowable initial truancy notifications	(1,517)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, daily attendance accounting	<u>(23,574)</u>

Period Attendance Accounting

Number of unallowable initial truancy notifications from sample	(7)
Sample size	<u>÷ 144</u>
Unallowable percentage	(4.86)%
Population sampled	<u>× 3,505</u>
Extrapolated number of unallowable initial truancy notifications	(170)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, period attendance accounting	<u>(2,642)</u>
Audit adjustment	<u>\$ (26,216)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the CSM did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between the ages of 6 and 18 years.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

... The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's) ...

1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's and G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min [*sic*] tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to sent notifications according to *E.C.* yet reimbursement was limited by dated P's & G's.

SCO's Comment

Our finding and recommendation are unchanged. The district states, "The SCO determined that the District sent notifications *prior to the required number of absences* [emphasis added]..." The district's statement is inaccurate. The notifications are unallowable because the

district's records show that the students did not accumulate the required number of unexcused absences and/or tardiness occurrences at any time during the school year.

We agree that the district is required to comply with Education Code section 48260.5. However, mandate-related reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. We disagree that "an unfunded mandate was placed on the district." Pursuant to Government Code section 17550 et al, school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$361,966 for FY 2006-07, FY 2007-08, and FY 2008-09. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

For FY 2006-07, FY 2007-08, and FY 2008-09, the district distributed initial truancy notifications that did not include the last three items identified above.

As a result, 3/8 (37.5%) of the unit cost allowance is unallowable for each notification. The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of noncompliant initial truancy notifications	19,260	18,909	18,458	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	
Subtotal	311,049	326,748	327,445	
Unallowable percentage	× (37.5)%	× (37.5)%	× (37.5)%	
Audit adjustment	<u>\$ (116,643)</u>	<u>\$ (122,531)</u>	<u>\$ (122,792)</u>	<u>\$ (361,966)</u>

Recommendation

We recommend that the district revise its initial truancy notification to comply with the minimum requirements specified in the parameters and guidelines.

District's Response

The SCO's finding is based on language missing from the notification . . . The District acknowledges the notifications were indeed missing these [three] components and has updated the language of the current notification. The District stresses however it was meeting the primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) ". . . 1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. . . .

SCO's Comment

Subsequent to our final audit report issued October 27, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district confirmed that its initial truancy notifications did not include all elements required by the parameters and guidelines. The district infers that there are three separate and distinct reimbursable activities associated with the initial truancy notification process. We disagree. The CSM amended the parameters and guidelines on January 31, 2008, with an effective date of July 1, 2006. Section IV, subsection B.2, identifies a single ongoing reimbursable activity, "notification process," as follows:

IV. REIMBURSABLE COSTS

B. Reimbursable Activities

2. Notification process—On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping *to provide parents/guardians with the following required information* [emphasis added] upon a pupil's initial classification as a truant

The district did not provide all of the required information to parents/guardians. Therefore, we prorated the allowable unit cost allowance based on the number of required items missing from each noncompliant initial truancy notification.

**Attachment—
District's Response to
Draft Audit Report**



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September 21, 2010

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
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State Controllers Office
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Sacramento, CA 94250-5874

RE: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

This letter responds to the draft audit report issued by the State Controller's Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2005/06 through 2008/09. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates the opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1) Overstated, understated and unallowable truancy notifications:

The District claimed costs for 21,816 initial truancy notifications for FY's 2005/06. Of that total, the SCO disallowed 566 notifications related to; Notifications sent in prior fiscal years; Notification sent to charter school students and; Notifications counted twice. The majority of the disallowed notifications are due to duplicate count.

- 1) The SCO's position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in Jan 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO's claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible

September 21, 2010

Page Two

Re: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

- 2) The District regrets the disallowance related to including notifications made in prior years and duplicate notifications and has no issues regarding this part of the finding.

Finding 2) Non-reimbursable truancy notifications:

The SCO is disallowing an additional 1,687 initial truancy notifications of the 21,816 claimed, for FY 2005/06. The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's). The number of disallowed notices was arrived at by statistical sampling.

1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's & G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to send notification according to *E.C.* yet reimbursement was limited by dated P's & G's.

Finding 3) Non-compliant initial truancy notifications:

The District claimed costs for 19,260 truancy notifications sent for FY 2006/07, 18,909 for FY 2007/08 and 18,458 for 2008/09 totaling \$965,242 in claimed costs. The SCO has disallowed all 56,627 notifications resulting in zero allowable costs.

September 21, 2010

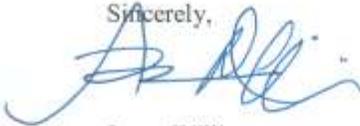
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Re: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

- 1) The SCO's finding is based on language missing from the notification. Education code §48260.5 (a-h) describes the necessary contents of the notice. There are eight components and the notifications being disallowed did not contain the components §48260.5 [f] ("That the pupil may be subject to prosecution under Section 48264"), §48260.5 [g] ("That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege...") and §48260.5[h] ("That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day."). The District acknowledges the notifications were indeed missing these components and has updated the language of the current notification. The District stresses however it was meeting its primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) "...1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. The District urges the SCO to reconsider its position.

The District thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,



Jason Willis
Chief Financial Officer

JW:ddb

C: Wayne Martin, Executive Director, Business Services
Dee Alimbini, Administrator, Child Welfare & Attendance
Joe Rombold, School Innovations & Advocacy

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