

# **REDLANDS UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 1997, through June 30, 2003*



**JOHN CHIANG**  
California State Controller

November 2013



**JOHN CHIANG**  
**California State Controller**

November 7, 2013

Donna West, President  
Board of Education  
Redlands Unified School District  
20 W. Lugonia Avenue  
Redlands, CA 92374

Dear Ms. West:

The State Controller's Office audited the costs claimed by Redlands Unified 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, 2003.

The district claimed \$1,641,292 for the mandated program. Our audit found that \$974,338 is allowable and \$666,954 is unallowable. The costs are unallowable primarily because the district claimed unsupported salaries and benefits, claimed ineligible materials and supplies, and misstated indirect costs. The State paid the district \$543,162. Allowable costs claimed exceed the amount paid by \$431,176.

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/nh

cc: Lori Rhodes, Superintendent  
Redlands Unified School District  
Brad Mason, Assistant Superintendent of Business Services  
Redlands Unified School District  
Brian Guggisberg, Director of Fiscal Services  
Redlands Unified School District  
Bette Harrison, President, Board of Education  
San Bernardino County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Redlands Unified 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, 2003.

The district claimed \$1,641,292 for the mandated program. Our audit found that \$974,338 is allowable and \$666,954 is unallowable. The costs are unallowable primarily because the district claimed unsupported salaries and benefits, claimed ineligible materials and supplies, and misstated indirect costs. The State paid the district \$543,162. Allowable costs claimed exceed the amount paid by \$431,176.

## 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 California Code of Regulations, Title 5, 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 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 are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation 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 CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist 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 Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2003.

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, Redlands Unified School District claimed \$1,641,292 for costs of the STAR Program. Our audit found that \$974,338 is allowable and \$666,954 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$214,040 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$132,965 is allowable. The State will apply \$81,075 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 1998-99 claim, the State made no payment to the district. Our audit found that \$169,816 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$329,122 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$231,675 is allowable. The State will apply \$97,447 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2000-01 claim, the State made no payment to the district. Our audit found that \$140,268 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2001-02 claim, the State made no payment to the district. Our audit found that \$147,875 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 audit found that \$151,739 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on October 28, 2013. Brian Guggisberg, Director of Fiscal Services, responded by email dated November 6, 2013, stating that the district has no additional comments or data to submit in regards to the audit. Mr. Guggisberg did not provide a response as to whether the district agreed with the audit results.

**Restricted Use**

This report is solely for the information and use of Redlands Unified School District, the San Bernardino 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

November 7, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 1997, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1997, through June 30, 1998</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 20,085	\$ —	\$ (20,085)	Finding 1
Test materials, supplies, and equipment	5,245	—	(5,245)	Finding 1
Pre-test and post-test coordination	139,478	124,551	(14,927)	Finding 1
Test administration	4,964	49,475	44,511	Finding 1
Reporting and recordkeeping	57,914	32,504	(25,410)	Finding 1
Total salaries and benefits	<u>227,686</u>	<u>206,530</u>	<u>(21,156)</u>	
Materials and supplies:				
Reporting and recordkeeping	—	5,869	5,869	Finding 2
Total materials and supplies	—	5,869	5,869	
Total direct costs	227,686	212,399	(15,287)	
Indirect costs	<u>11,976</u>	<u>14,210</u>	<u>2,234</u>	Finding 3
Total direct and indirect costs	239,662	226,609	(13,053)	
Less offsetting reimbursements	—	(93,644)	(93,644)	Finding 4
Total program costs	<u>\$ 239,662</u>	132,965	<u>\$ (106,697)</u>	
Less amount paid by the State <sup>2</sup>		(214,040)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (81,075)</u>		
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 18,531	\$ —	\$ (18,531)	Finding 1
Test materials, supplies, and equipment	3,799	—	(3,799)	Finding 1
Pre-test and post-test coordination	142,379	94,000	(48,379)	Finding 1
Test administration	4,374	37,800	33,426	Finding 1
Reporting and recordkeeping	59,104	23,886	(35,218)	Finding 1
Total salaries and benefits	<u>228,187</u>	<u>155,686</u>	<u>(72,501)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	82,464	73,028	(9,436)	Finding 2
Reporting and recordkeeping	—	4,271	4,271	Finding 2
Total materials and supplies	<u>82,464</u>	<u>77,299</u>	<u>(5,165)</u>	
Total direct costs	310,651	232,985	(77,666)	
Indirect costs	<u>16,340</u>	<u>12,255</u>	<u>(4,085)</u>	Finding 3
Total direct and indirect costs	326,991	245,240	(81,751)	
Less offsetting reimbursements	(93,644)	(75,424)	18,220	Finding 4
Total program costs	<u>\$ 233,347</u>	169,816	<u>\$ (63,531)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 169,816</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 18,336	\$ —	\$ (18,336)	Finding 1
Test materials, supplies, and equipment	3,883	—	(3,883)	Finding 1
Pre-test and post-test coordination	147,043	92,905	(54,138)	Finding 1
Test administration	4,686	37,238	32,552	Finding 1
Reporting and recordkeeping	60,552	23,926	(36,626)	Finding 1
Total salaries and benefits	<u>234,500</u>	<u>154,069</u>	<u>(80,431)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	180,030	86,193	(93,837)	Finding 2
Reporting and recordkeeping	—	4,251	4,251	Finding 2
Total materials and supplies	<u>180,030</u>	<u>90,444</u>	<u>(89,586)</u>	
Total direct costs	414,530	244,513	(170,017)	
Indirect costs	<u>21,804</u>	<u>11,713</u>	<u>(10,091)</u>	Finding 3
Total direct and indirect costs	436,334	256,226	(180,108)	
Less offsetting reimbursements	<u>(107,212)</u>	<u>(24,551)</u>	<u>82,661</u>	Finding 4
Total program costs	<u>\$ 329,122</u>	231,675	<u>\$ (97,447)</u>	
Less amount paid by the State <sup>2</sup>		<u>(329,122)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (97,447)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 19,390	\$ —	\$ (19,390)	Finding 1
Test materials, supplies, and equipment	4,049	—	(4,049)	Finding 1
Pre-test and post-test coordination	152,300	89,106	(63,194)	Finding 1
Test administration	4,649	35,231	30,582	Finding 1
Reporting and recordkeeping	62,474	24,177	(38,297)	Finding 1
Total salaries and benefits	<u>242,862</u>	<u>148,514</u>	<u>(94,348)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	12,143	3,069	(9,074)	Finding 2
Reporting and recordkeeping	—	4,075	4,075	Finding 2
Total materials and supplies	<u>12,143</u>	<u>7,144</u>	<u>(4,999)</u>	
Total direct costs	255,005	155,658	(99,347)	
Indirect costs	<u>11,756</u>	<u>7,177</u>	<u>(4,579)</u>	Finding 3
Total direct and indirect costs	266,761	162,835	(103,926)	
Less offsetting reimbursements	<u>(35,280)</u>	<u>(22,567)</u>	<u>12,713</u>	Finding 4
Total program costs	<u>\$ 231,481</u>	140,268	<u>\$ (91,213)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 140,268</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 21,650	\$ —	\$ (21,650)	Finding 1
Test materials, supplies, and equipment	4,620	—	(4,620)	Finding 1
Pre-test and post-test coordination	185,010	97,338	(87,672)	Finding 1
Test administration	10,549	38,806	28,257	Finding 1
Reporting and recordkeeping	78,505	25,057	(53,448)	Finding 1
Total salaries and benefits	<u>300,334</u>	<u>161,201</u>	<u>(139,133)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	840	—	(840)	Finding 2
Pre-test and post-test coordination	110	110	—	
Reporting and recordkeeping	1,074	4,250	3,176	Finding 2
Total materials and supplies	<u>2,024</u>	<u>4,360</u>	<u>2,336</u>	
Travel and training:				
Pre-test and post-test coordination	13	13	—	
Total travel and training	<u>13</u>	<u>13</u>	<u>—</u>	
Total direct costs	302,371	165,574	(136,797)	
Indirect costs	<u>11,188</u>	<u>6,125</u>	<u>(5,063)</u>	Finding 3
Total direct and indirect costs	313,559	171,699	(141,860)	
Less offsetting reimbursements	<u>—</u>	<u>(23,824)</u>	<u>(23,824)</u>	Finding 4
Total program costs	<u>\$ 313,559</u>	147,875	<u>\$ (165,684)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 147,875</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 92,751	\$ —	\$ (92,751)	Finding 1
Pre-test and post-test coordination	93,711	98,068	4,357	Finding 1
Test administration	26,969	38,624	11,655	Finding 1
Reporting and recordkeeping	65,462	25,510	(39,952)	Finding 1
Total salaries and benefits	<u>278,893</u>	<u>162,202</u>	<u>(116,691)</u>	
Materials and supplies:				
Reporting and recordkeeping	—	4,628	4,628	Finding 2
Total materials and supplies	<u>—</u>	<u>4,628</u>	<u>4,628</u>	
Total direct costs	278,893	166,830	(112,063)	
Indirect costs	<u>15,228</u>	<u>9,109</u>	<u>(6,119)</u>	Finding 3
Total direct and indirect costs	294,121	175,939	(118,182)	
Less offsetting reimbursements	<u>—</u>	<u>(24,200)</u>	<u>(24,200)</u>	Finding 4
Total program costs	<u>\$ 294,121</u>	151,739	<u>\$ (142,382)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 151,739</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>Summary: July 1, 1997 through June 30, 2003</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 190,743	\$ —	\$ (190,743)	
Test materials, supplies, and equipment	21,596	—	(21,596)	
Pre-test and post-test coordination	859,921	595,968	(263,953)	
Test administration	56,191	237,174	180,983	
Reporting and recordkeeping	384,011	155,060	(228,951)	
Total salaries and benefits	<u>1,512,462</u>	<u>988,202</u>	<u>(524,260)</u>	
Materials and supplies:				
Test materials, supplies, and equipment	275,477	162,290	(113,187)	
Pre-test and post-test coordination	110	110	—	
Reporting and recordkeeping	1,074	27,344	26,270	
Total materials and supplies	<u>276,661</u>	<u>189,744</u>	<u>(86,917)</u>	
Travel and training:				
Pre-test and post-test coordination	13	13	—	
Total travel and training	<u>13</u>	<u>13</u>	<u>—</u>	
Total direct costs	1,789,136	1,177,959	(611,177)	
Indirect costs	88,292	60,589	(27,703)	
Total direct and indirect costs	1,877,428	1,238,548	(638,880)	
Less offsetting reimbursements	(236,136)	(264,210)	(28,074)	
Total program costs	<u>\$ 1,641,292</u>	974,338	<u>\$ (666,954)</u>	
Less amount paid by the State		(543,162)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 431,176</u>		

<sup>1</sup> See the Findings and Recommendations section.

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

# Findings and Recommendations

## FINDING 1— Unsupported salaries and benefits

The district claimed \$1,512,462 in salaries and benefits for the audit period. We initially determined that all of the costs claimed were unallowable because the district did not provide supporting documentation. The district requested, and we agreed, that the district be allowed to perform a time study to recapture allowable activities that are repetitive in nature. Based on the time study results, we determined that \$988,202 is allowable and \$524,260 is unallowable.

The following table summarizes the unsupported salaries and benefits by fiscal year and reimbursable component:

	Fiscal Year						Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	
Salaries and benefits:							
Training, policies, and procedures	\$ (20,085)	\$ (18,531)	\$ (18,336)	\$ (19,390)	\$ (21,650)	\$ (92,751)	\$ (190,743)
Test materials, supplies, and equipment	(5,245)	(3,799)	(3,883)	(4,049)	(4,620)	-	(21,596)
Pre-test and post-test coordination	(14,927)	(48,379)	(54,138)	(63,194)	(87,672)	4,357	(263,953)
Test administration	44,511	33,426	32,552	30,582	28,257	11,655	180,983
Reporting and recordkeeping	(25,410)	(35,218)	(36,626)	(38,297)	(53,448)	(39,952)	(228,951)
Audit adjustment	<u>\$ (21,156)</u>	<u>\$ (72,501)</u>	<u>\$ (80,431)</u>	<u>\$ (94,348)</u>	<u>\$ (139,133)</u>	<u>\$ (116,691)</u>	<u>\$ (524,260)</u>

### Time Study Methodology

We worked with district representatives to develop time standards to determine allowable costs for fiscal year (FY) 1997-98 through FY 2002-03. The time standards were developed based on the district's time study.

In addition to the district office, we selected six schools in the district to be surveyed: two elementary schools, two middle schools, and two high schools. The district developed a time tracking form to capture repetitive activities at the selected school sites. The form recorded the hours attributed to the reimbursable activities for the duration of the spring 2012 testing period. The allowable hours for the Pre-test and Post-test Coordination cost component, Test Administration cost component, and the Reporting and Recordkeeping costs component were based on the time increments reported in the time study.

The district also kept track of time spent performing training activities. However, we did not allow any time reported for training because this activity is not repetitive in nature. In addition, the parameters and guidelines for the Training, Policies, and Procedures cost component state that training is a one-time activity and that the time the teacher spends to attend training during the teacher's normal classroom hours is not reimbursable.

To calculate allowable salaries and benefits, we first multiplied the allowable hours by the allowable productive hourly rates for the various district personnel involved in each reimbursable activity. Next, we applied the total salaries and benefits by the reimbursable percentage.

## Reimbursable Percentage

The district's STAR costs included the following tests: California Standards Test (CST); California Alternate Performance Assessment (CAPA); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); and the Spanish Assessment of Basic Education, Second Edition (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's times study included hours spent administering the STAR tests collectively, without separately identifying costs by individual test. 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 divided by 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% for FY 1997-98, 70.35% for FY 1998-99, 69.59% for FY 1999-2000, 62.59% for FY 2000-01, 63.29% for FY 2001-02 and 61.72% for FY 2002-03.

The program's parameters and guidelines (section V.A.1) 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.) state:

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. . . .

## Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and that costs are properly supported.

**FINDING 2—  
Unallowable materials  
and supplies**

The district claimed \$276,661 in materials and supplies for the audit period. We determined that \$189,744 is allowable and \$86,917 is unallowable. The costs are unallowable because the district claimed costs outside of the reimbursement period, understated costs, double-claimed costs, and claimed ineligible and unsupported costs.

The following table summarizes the unallowable materials and supplies by fiscal year and reimbursable component:

	Fiscal Year						Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	
Materials and supplies:							
Test materials, supplies, and equipment	\$ -	\$ (9,436)	\$ (93,837)	\$ (9,074)	\$ (840)	\$ -	\$ (113,187)
Reporting and recordkeeping	5,869	4,271	4,251	4,075	3,176	4,628	26,270
Audit adjustment	<u>\$ 5,869</u>	<u>\$ (5,165)</u>	<u>\$ (89,586)</u>	<u>\$ (4,999)</u>	<u>\$ 2,336</u>	<u>\$ 4,628</u>	<u>\$ (86,917)</u>

**Costs Claimed Outside of the Reimbursement Period**

The district claimed reimbursement for materials and supplies of \$88,445 incurred after the reimbursement period expired (\$81,248 for FY 1999-2000 and \$7,197 for FY 2000-01). For the Test Materials, Supplies, and Equipment cost component, the parameters and guidelines state that costs are reimbursable for the period of January 2, 1998, through December 15, 1999. The district claimed \$88,445 for costs incurred after December 15, 1999.

**Understated Costs**

The district under-claimed materials and supplies by \$26,270 for the Reporting and Recordkeeping cost component for the audit period. For the Reporting and Recordkeeping cost component, the parameters and guidelines state:

The cost of materials and supplies used for reports (including, paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

To determine the cost the district incurred to report all the STAR test results, we determined that cost to prepare a single report (which included the cost of postage, paper, and envelopes) and multiplied the total by the number of students tested in the district for each fiscal year. However, as identified in Finding 1, the CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we multiplied the cost to report all the STAR test results by the reimbursable ratio of mandated tests to the number of all STAR tests administered. As a result, we determined that the district under-claimed costs by \$26,270.

### **Double-claimed Costs**

The district double-claimed materials and supplies by \$8,160 for FY 1998-99. The district claimed reimbursement for SAT-9 materials identified on two purchase orders, even though the same SAT-9 materials were already claimed for reimbursement from the invoice. We allowed the costs claimed on the invoice because the invoice charge included the 10% discount that the district received.

### **Ineligible Costs**

The district claimed ineligible materials and supplies of \$8,584 for the audit period (\$1,276 for FY 1998-99, \$5,474 for FY 1999-2000, and \$1,834 for FY 2000-01). As identified in Finding 1, the CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we determined which materials and supplies were for all of the STAR tests and multiplied these costs by the reimbursable ratio of mandated tests to the number of all STAR tests administered. As a result, we determined that \$8,584 is unallowable.

### **Unsupported Costs**

The district did not provide documentation supporting \$7,998 in costs claimed for the audit period (\$7,115 for FY 1999-2000, \$43 for FY 2000-01, and \$840 for FY 2001-02). The parameters and guidelines (section VI.A. Supporting Data – Source Documents) 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 are not limited to, worksheets, employee time records or 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. . . .

### **Recommendation**

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and that costs are properly supported.

**FINDING 3—  
Overstated indirect  
costs**

The district claimed \$88,292 in indirect costs for the audit period. We determined that \$60,589 is allowable and \$27,703 is unallowable. The costs are unallowable because the district applied the indirect cost rates to unallowable direct costs (see Findings 1 and 2), and used the wrong indirect cost rate for FY 1997-98 and FY 1999-2000.

**Indirect cost rates applied to unallowable direct costs**

The district overstated indirect costs by \$29,592 because it applied the indirect cost rates to unsupported salaries and benefits (see Finding 1) and unallowable materials and supplies (see Finding 2).

The following table summarizes the adjustment for the indirect costs applied to unallowable direct costs:

	Fiscal Year						Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	
Unallowable direct costs:							
Salaries and benefits	\$ (21,156)	\$ (72,501)	\$ (80,431)	\$ (94,348)	\$ (139,133)	\$ (116,691)	\$ (524,260)
Materials and supplies	5,869	(5,165)	(89,586)	(4,999)	2,336	4,628	(86,917)
Total unallowable direct costs	(15,287)	(77,666)	(170,017)	(99,347)	(136,797)	(112,063)	(611,177)
Claimed indirect cost rate	5.26%	5.26%	5.26%	4.61%	3.70%	5.46%	
Audit adjustment	\$ (804)	\$ (4,085)	\$ (8,943)	\$ (4,580)	\$ (5,061)	\$ (6,119)	\$ (29,592)

**Misstated indirect cost rates**

For FY 1997-98 and FY 1999-2000, the district understated indirect costs by \$1,889 because it used the FY 1998-99 CDE provisionally approved indirect cost rate to claim indirect costs. The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to total direct costs (salaries and benefits, materials and supplies, and contract services).

The following table summarizes the adjustment for the misstated indirect cost rates:

	Fiscal Year		Total
	1997-98	1999-2000	
Claimed indirect cost rate	5.26%	5.26%	
Allowable indirect cost rate	6.69%	4.79%	
Unsupported indirect cost rate	1.43%	-0.47%	
Allowable direct costs	\$ 212,399	\$ 244,513	
Audit adjustment	\$ 3,038	\$ (1,149)	\$ 1,889

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

We recommend that the district use the indirect cost rates provisionally approved by the CDE, and apply the indirect cost rate to allowable direct costs.

**FINDING 4—  
Understated offsetting  
reimbursement**

The district understated the mandate portion of STAR apportionment by \$28,074 for the audit period because it did not report all of the STAR Program apportionments received from the CDE.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer tests within the STAR Program. For the audit period, we determined that the district received \$349,044 from the CDE.

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.

We calculated the understated reimbursement by:

- Verifying the amounts of annual STAR apportionments received by the district, and
- Applying the reimbursable ratio of mandated STAR tests to the number of all STAR tests administered (see Finding 1).

The following table summarizes the understated offsetting reimbursements for the audit period:

	Fiscal Year						Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	
Offsetting reimbursements:							
CDE apportionment	\$ (93,644)	\$ (107,212)	\$ (35,280)	\$ (36,056)	\$ (37,643)	\$ (39,209)	\$ (349,044)
Mandate-related percentage	100.00%	70.35%	69.59%	62.59%	63.29%	61.72%	
Mandate-related apportionment	(93,644)	(75,424)	(24,551)	(22,567)	(23,824)	(24,200)	(264,210)
Less offset CDE apportionment	-	(93,644)	(107,212)	(35,280)	-	-	(236,136)
Audit adjustment	\$ (93,644)	\$ 18,220	\$ 82,661	\$ 12,713	\$ (23,824)	\$ (24,200)	\$ (28,074)

Recommendation

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

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