ANAHEIM UNION HIGH SCHOOL DISTRICT

Audit Report

STULL ACT PROGRAM

Chapter 498, Statutes of 1983;
and Chapter 4, Statutes of 1999

July 1, 1998, through June 30, 2008;
and July 1, 2010, through June 30, 2012

BETTY T. YEE
California State Controller

November 2016

BETTY T. YEE
California State Controller

November 10, 2016

Annemarie Randle-Trejo, President, Board of Trustees
Anaheim Union High School District
501 North Crescent Way
Anaheim, CA 92801

Dear Ms. Randle-Trejo:

The State Controller's Office audited the costs claimed by Anaheim Union High School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1998, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed $1,516,162 for the mandated program. Our audit found that $660,073 is allowable and $856,089 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling $660,073, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Michael B. Matsuda, Superintendent
Anaheim Union High School District
Darrick Garcia, Director of Human Resources
Anaheim Union High School District
Jennifer Root, Assistant Superintendent, Business Services
Anaheim Union High School District
Chris Lombardo, Director, Business Services
Orange County Department of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Anaheim Union High School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1998, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed $1,516,162 for the mandated program. Our audit found that $660,073 is allowable and $856,089 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling $660,073, contingent upon available appropriations.

Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-44665. The legislation provided reimbursement for specific activities related to evaluation and assessment of the performance of "certificated personnel" within each school district, except for those employed in local, discretionary educational programs.

On May 27, 2004, the Commission on State Mandates (Commission) determined that the legislation imposed a state mandate reimbursable under Government Code section 17514.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on September 27, 2005. 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.

The Commission approved reimbursable activities as follows:

- Evaluate and assess the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal laws as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives (Education Code section 44662(b) as amended by Chapter 498, Statutes of 1983).

- Evaluate and assess the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests (Education Code section 44662(b) as amended by Chapter 4, Statutes of 1999).

- Assess and evaluate permanent certificated, instructional, and non-instructional employees who perform the requirements of educational programs mandated by state or federal law and receive an unsatisfactory evaluation in the years in which the permanent

certificated employee would not have otherwise been evaluated pursuant to Education Code section 44664. The additional evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (Education Code section 44664 as amended by Chapter 498, Statutes of 1983).

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 1998, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We conducted this 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. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the district's financial statements.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed annual claims filed with SCO to identify any mathematical errors, and performed analytical procedures to determine any unusual or unexpected variances from year-to-year
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained
- Assessed whether computer-processed data provided by the district to support claimed costs was complete, accurate and reliable
- Traced listings of employees evaluated and assessed the reimbursability of those evaluations
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, Anaheim Union High School District claimed $1,516,162 for costs of the Stull Act Program. Our audit found that $660,073 is allowable and $856,089 is unallowable.

The State made no payment to the district. Our audit found that $660,073 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling $660,073, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on October 6, 2016. Darrick Garcia, Director of Human Resources; Jennifer Root, Assistant Superintendent of Business Services; Bruce Saltz, Controller; and Karen Orr, Business Manager, agreed with the audit results. Mr. Garcia declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Anaheim Union High School District, the Orange County Department 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 10, 2016

Schedule—
Summary of Program Costs
July 1, 1998, through June 30, 2012;
and July 1, 2008, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 1998, through June 30, 1999			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 90,605	$ 37,665	$ (52,940)
Total direct costs	90,605	37,665	(52,940)
Indirect costs	4,703	1,955	(2,748)
Total program costs	$ 95,308	39,620	$ (55,688)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 39,620	
July 1, 1999, through June 30, 2000			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 90,741	$ 38,730	$ (52,011)
Total direct costs	90,741	38,730	(52,011)
Indirect costs	4,364	1,863	(2,501)
Total program costs	$ 95,105	40,593	$ (54,512)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 40,593	
July 1, 2000, through June 30, 2001			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 121,325	$ 40,577	$ (80,748)
Total direct costs	121,325	40,577	(80,748)
Indirect costs	6,454	2,159	(4,295)
Total program costs	$ 127,779	42,736	$ (85,043)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 42,736	
July 1, 2001, through June 30, 2002			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 129,888	$ 42,372	$ (87,516)
Total direct costs	129,888	42,372	(87,516)
Indirect costs	6,208	2,025	(4,183)
Total program costs	$ 136,096	44,397	$ (91,699)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 44,397	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 131,385	$ 43,319	$ (88,066)
Total direct costs	131,385	43,319	(88,066)
Indirect costs	6,280	1,495	(4,785)
Total program costs	$ 137,665	44,814	$ (92,851)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 44,814	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 163,930	$ 44,626	$ (119,304)
Total direct costs	163,930	44,626	(119,304)
Indirect costs	9,197	2,504	(6,693)
Total program costs	$ 173,127	47,130	$ (125,997)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 47,130	
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 203,350	$ 90,179	$ (113,171)
Total direct costs	203,350	90,179	(113,171)
Indirect costs	11,693	5,185	(6,508)
Total program costs	$ 215,043	95,364	$ (119,679)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 95,364	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 165,497	$ 50,279	$ (115,218)
Total direct costs	165,497	50,279	(115,218)
Indirect costs	8,821	2,680	(6,141)
Total program costs	$ 174,318	52,959	$ (121,359)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 52,959	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 117,298	$ 65,191	$ (52,107)
Total direct costs	117,298	65,191	(52,107)
Indirect costs	6,756	3,755	(3,001)
Total program costs	$ 124,054	68,946	$ (55,108)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 68,946	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 118,329	$ 67,100	$ (51,229)
Total direct costs	118,329	67,100	(51,229)
Indirect costs	4,721	2,677	(2,044)
Total program costs	$ 123,050	69,777	$ (53,273)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 69,777	
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 52,618	$ 51,764	$ (854)
Total direct costs	52,618	51,764	(854)
Indirect costs	1,636	1,610	(26)
Total direct and indirect costs	$ 54,254	53,374	$ (880)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 53,374	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 56,383	$ 95,307	$ 38,924
Training activities	893	-	(893)
Total direct costs	57,276	95,307	38,031
Indirect costs	3,087	5,137	2,050
Total direct and indirect costs	60,363	100,444	40,081
Less allowable costs that exceed costs claimed [2]	-	(40,081)	(40,081)
Total program costs	$ 60,363	60,363	$ -
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 60,363	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
Summary: July 1, 1998, through June 30, 2012, excluding July 1, 2008 through June 30, 2010			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 1,441,349	$ 667,109	$ (774,240)
Training activities	893	-	(893)
Total direct costs	1,442,242	667,109	(775,133)
Indirect costs	73,920	33,045	(40,875)
Total direct and indirect costs	1,516,162	700,154	(816,008)
Less allowable costs that exceed costs claimed [2]	-	(40,081)	(40,081)
Total program costs	$ 1,516,162	660,073	$ (856,089)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 660,073	

[1] See the Findings and Recommendations section.

[2] Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2011-12.

Findings and Recommendations

FINDING 1—
Overstated salaries and benefits

The district claimed $1,442,242 in salaries and benefits for the audit period. We found that $667,109 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs of $775,133.

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

	Salaries and Benefits		
Fiscal Year	(A) Claimed	(B) Allowable	(C) = (B)-(A) Adjustment
1998-99	$ 90,605	$ 37,665	$ (52,940)
1999-00	90,741	38,730	(52,011)
2000-01	121,325	40,577	(80,748)
2001-02	129,888	42,372	(87,516)
2002-03	131,385	43,319	(88,066)
2003-04	163,930	44,626	(119,304)
2004-05	203,350	90,179	(113,171)
2005-06	165,497	50,279	(115,218)
2006-07	117,298	65,191	(52,107)
2007-08	118,329	67,100	(51,229)
2010-11	52,618	51,764	(854)
2011-12	57,276	95,307	38,031
	$ 1,442,242	$ 667,109	$ (775,133)

Supporting Time Documents

For the audit period, the district presented its time documents in two different ways. For the fiscal year (FY) 1998-99 through FY 2007-08 and FY 2011-12 time documents, the district assigned an estimated time spent on evaluation activities to a number of employees. The district did not separately identify the time devoted to each specific employee. In addition, the time documents for FY 1998-99 to FY 2003-04 were not collected contemporaneously, as they were dated in October 2005 and November 2005.

For the FY 2010-11 time documents, the district evaluators recorded actual time for specific evaluated employees. We informed the district that the time documents for FY 2010-11 would be used to calculate an average time allotment per allowable evaluation. This average time allotment would be used in place of the time documents provided as support for FY 1998-99 through FY 2007-08 and FY 2011-12.

The district's time documents for FY 2010-11 recorded the time it took district evaluators to perform nine main activities within the teacher evaluation process. Collectively, the district evaluated permanent, probationary, and temporary certificated instructional employees. Time

increments for the following six activities on the district's time documents were not included in the average time allotment:

- (SU3) Review the Results of the Standardized Testing and Reporting (STAR) Test as it Relates to the Performance of the Teacher Teaching Reading, Writing, Math, History/Social Science, or Science in Grades 2-11
- (SU4) Write-up the Evaluation of the Teacher's Performance Based on the STAR Results for the Pupils They Teach
- (SU5) Conduct Additional Evaluation/Assessment of Employee Performance
- (SU6) Writing the Additional Evaluation/Assessment
- (SU7) Transmit a Copy of the Written Evaluation to the Employee
- (SU8) Attach Employee's Written Response to the Evaluation to Employee's Personnel File
- (SU9) Meet with Employee to Discuss the Additional Evaluation

At the entrance conference, the district stated that reviewing STAR test results and write-ups of the teacher's performance based on the STAR results were not part of the evaluation process for certificated instructional employees. Therefore, the (SU3) and (SU4) activities are not reimbursable.

According to the program's parameters and guidelines, the reimbursable evaluation period for permanent certificated instructional employees is "every other year." The exception applies when a certificated instructional or non-instructional employee receives an unsatisfactory evaluation. In this instance, a follow-up evaluation in an off-cycle year(s) is reimbursable. For the audit period, the district's records showed only one unsatisfactory evaluation, in FY 2011-12. This unsatisfactory evaluation would trigger a follow-up evaluation in the following off-cycle year; however, the FY 2012-13 claim is not subject to audit. Therefore, the (SU5) to (SU9) activities are not reimbursable.

We determined that the time spent on the following two activities is reimbursable:

- (SU1) Evaluate Teacher's Instructional Techniques/Strategies and Adherence to Curricular Objectives
- (SU2) Write-up the Evaluation of the Instructional Techniques/Strategies and Adherence to Curricular Objectives

After removing the unallowable activities reported by the district, we found that the district's contemporaneous time records show that it took an average of 2.10 hours per permanent employee evaluation, 1.67 hours per probationary employee evaluation, and 1.82 hours per temporary employee evaluation. These averages will be used in place of the time documents for FY 1998-99 through FY 2007-08 and FY 2011-12.

Completed Evaluations

The district provided listings of evaluations for FY 2003-04 through FY 2011-12. The lists identified the evaluations that were received by the district's Human Resources department. These lists were the basis of support for the total evaluation population for the audit period.

We reviewed the evaluation listings for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. The parameters and guidelines allow reimbursement for evaluations conducted for certificated instructional personnel who perform the requirements of education programs mandated by state or federal law during specific evaluation periods. The parameters and guidelines also allow reimbursement once per year for evaluations conducted for probationary employees and every other year for permanent employees.

The following table shows the number of evaluations that are not reimbursable under the mandated program:

	Number of Completed Evaluations		
	(A)	(B)	(C)=(B)-(A)
Fiscal Year	District-Provided	Audited	Difference
2003-04	332	293	(39)
2004-05	1107	578	(529)
2005-06	617	343	(274)
2006-07	769	445	(324)
2007-08	782	418	(364)
2010-11	534	290	(244)
2011-12	757	520	(237)
Totals	4,898	2,887	(2,011)

The non-reimbursable evaluations included the following:

- Principals, assistant principals, counselors, psychologists, nurses, directors, and specialists who are not certificated instructional employees
- Duplicate teacher evaluations claimed multiple times in one school year
- Permanent biannual teacher evaluations claimed every year rather than every other year
- Evaluations with the non-instructional description/location of "Asst Supt Educ," "CE Mgt Slry Ann," "Certificated HR," and "Instruct Svs," which the district agreed to remove from the allowable population
- Evaluations identified by the district as "evaluations not received," "pending evaluations," and "not applicable evaluations"
- Evaluations we requested during testing that the district was unable to locate

Calculation of Allowable Evaluation Costs

For FY 2003-04 through FY 2011-12, except FY 2008-09 and FY 2009-10, we arrived at allowable salaries and benefits for "evaluation activities" by multiplying the number of allowable evaluations by the average of allowable hours per evaluation and the average of all claimed PHRs.

For the remaining fiscal years, we used the data in FY 2003-04 as the "base" year. We applied an implicit price deflator to total allowable evaluation activities costs in FY 2003-04 to determine allowable evaluation activities costs for FY 1998-99 through FY 2002-03.

The following table summarizes allowable evaluation costs by fiscal year:

	Evaluation activities		
	(A)	(B)	(C)=(B)-(A)
Fiscal Year	Claimed	Allowable	Audit Adjustment
1998-99	$ 90,605	$ 37,665	$ (52,940)
1999-00	90,741	38,730	(52,011)
2000-01	121,325	40,577	(80,748)
2001-02	129,888	42,372	(87,516)
2002-03	131,385	43,319	(88,066)
2003-04	163,930	44,626	(119,304)
2004-05	203,350	90,179	(113,171)
2005-06	165,497	50,279	(115,218)
2006-07	117,298	65,191	(52,107)
2007-08	118,329	67,100	(51,229)
2010-11	52,618	51,764	(854)
2011-12	56,383	95,307	38,924
Total	$ 1,441,349	$ 667,109	$ (774,240)

Training Costs

The district claimed training costs of $893 for FY 2011-12. We found that $893 in training costs is not reimbursable. The district did not provide sufficient documentation to support the costs related to the one-time activity of training staff on the implementation of the reimbursable activities listed in the parameters and guidelines.

The parameters and guidelines (section IV.A.1) state that the following activity is reimbursable:

> Evaluate and assess the performance of certificated instructional employees that perform the requirements of educational programs mandated by state or federal law as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives.

Reimbursement for this activity is limited to:

a. Reviewing the employee's instructional techniques and strategies and adherence to curricular objectives, and

b. Including in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:

   - Once each year for probationary certificated employees;
   - Every other year for permanent certificated employees; and
   - Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.A.2) state that the following activity is reimbursable:

Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests.

Reimbursement for this activity is limited to:

a. Reviewing the results of the Standardized Testing and Reporting test as it reasonably relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and

b. Including in the written evaluation of those certificated employees the assessment of the employee's performance based on the Standardized Testing and Reporting results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:

   - Once each year for probationary certificated employees;
   - Every other year for permanent certificated employees; and
   - Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.C–Training) indicate that the district may train staff on implementing the reimbursable activities listed in Section IV of the parameters and guidelines. (One-time activity for each employee.)

The parameters and guidelines (section IV–Reimbursable Activities) also state:

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

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs are based on actual costs, are for activities reimbursable under the parameters and guidelines, and are supported by contemporaneous source documentation.

FINDING 2—Overstated indirect costs

The district claimed $73,920 in indirect costs for the audit period. We found that $33,045 is allowable and $40,875 is unallowable. The unallowable indirect costs of $40,299 were the result of the unallowable direct costs identified in Finding 1. The unallowable indirect costs of $576 were the result of an incorrect indirect cost rate in FY 2002-03.

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

	Indirect Costs				
Fiscal Year	(A) Allowable Direct Costs	(B) Allowable Indirect Cost Rates	(C) = (A)*(B) Allowable Indirect Costs	(D) Claimed Indirect Costs	(F) = (C)-(D) Audit Adjustment
1998-99	$ 37,665	5.19%	$ 1,955	$ 4,703	$ (2,748)
1999-00	38,730	4.81%	1,863	4,364	(2,501)
2000-01	40,577	5.32%	2,159	6,454	(4,295)
2001-02	42,372	4.78%	2,025	6,208	(4,183)
2002-03	43,319	3.45%	1,495	6,280	(4,785)
2003-04	44,626	5.61%	2,504	9,197	(6,693)
2004-05	90,179	5.75%	5,185	11,693	(6,508)
2005-06	50,279	5.33%	2,680	8,821	(6,141)
2006-07	65,191	5.76%	3,755	6,756	(3,001)
2007-08	67,100	3.99%	2,677	4,721	(2,044)
2010-11	51,764	3.11%	1,610	1,636	(26)
2011-12	95,307	5.39%	5,137	3,087	2,050
Total	$ 667,109		$ 33,045	$ 73,920	$ (40,875)

For FY 2002-03, the California Department of Education (CDE) approved an indirect cost rate of 3.45%, but the district claimed an incorrect indirect cost rate of 4.78%. We recalculated allowable indirect costs using the CDE-approved rate.

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

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that indirect rates it claims agree with CDE-approved rates and that indirect costs are mandate-related and appropriately supported.

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

http://www.sco.ca.gov

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