LONG BEACH UNIFIED SCHOOL DISTRICT

Revised Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1998, through June 30, 2001

JOHN CHIANG
California State Controller

September 2012

JOHN CHIANG
California State Controller

September 7, 2012

Jon Meyer, President
Board of Education
Long Beach Unified School District
1515 Hughes Way
Long Beach, CA 90810

Dear Mr. Meyer:

The State Controller's Office audited the costs claimed by Long Beach Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1998, through June 30, 2001.

This revised final report supersedes our previous report dated February 5, 2010. We eliminated the restricted resource finding (previously noted in Finding 3) and reduced the penalty for filing a late claim for fiscal years 1998-99 through 2000-01 from 10% of claimed costs to 10% of allowable costs. As a result of these changes, allowable costs increased by $64,882, from $841,508 to $906,390.

The district claimed $1,418,600 ($1,503,844 less a $85,244 penalty for filing late claims) for the mandated program. Our audit disclosed that $906,390 is allowable ($946,061 less a $39,671 penalty for filing late claims) and $512,210 is unallowable. The costs are unallowable primarily because the district claimed ineligible or unsupported costs. The State paid the district $842,528. The State will pay allowable costs claimed that exceed the amount paid, totaling $63,862, contingent upon available appropriations.

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: Christopher J. Steinhauser, Superintendent
Long Beach Unified School District
James Novak, Chief Business and Financial Officer
Long Beach Unified School District
Susan Ginder, Executive Director of Fiscal Services
Long Beach Unified School District
Yumi Takahashi, Financial Services Officer
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State Controller's Office

Contents

Revised Audit Report

Summary 1

Background 1

Objective, Scope, and Methodology 2

Conclusion 2

Views of Responsible Official 3

Restricted Use 3

Revised Schedule 1—Summary of Program Costs 4

Findings and Recommendations 7

Attachment—District's Response to Draft Audit Report

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Long Beach Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1998, through June 30, 2001.

The district claimed $1,418,600 ($1,503,844 less a $85,244 penalty for filing late claims) for the mandated program. Our audit disclosed that $906,390 is allowable ($946,061 less a $39,671 penalty for filing late claims) and $512,210 is unallowable. The costs are unallowable primarily because the district claimed ineligible or unsupported costs. The State paid the district $842,528. The State will pay allowable costs claimed that exceed the amount paid, totaling $63,862, contingent upon available appropriations.

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 is 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 reimbursement criteria. CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

On December 9, 2005, the CSM renamed the STAR Program to the National Norm-Referenced Achievement Test Program and adopted the parameters and guidelines for the new program, effective July 1, 2004. The parameters and guidelines clarify that only the activities of administering the CAT/6 in grades 3 and 7 impose a reimbursable state mandate on school districts and that all other activities were either federally mandated or no longer required. The CSM also clarified that the remaining reimbursable activities. Therefore, the recommendations contained in this report have applicability to the National Norm-Referenced Achievement Test Program.

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, 1998, through June 30, 2001.

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 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, Long Beach Unified School District claimed $1,418,600 ($1,503,844 less a $85,244 penalty for filing late claims) for costs of the Standardized Testing and Reporting Program. Our audit disclosed that $906,390 is allowable ($946,061 less a $39,671 penalty for filing late claims) and $512,210 is unallowable.

The State paid the district $842,528 from funds appropriated under Chapter 724, Statutes of 2010. The State will pay allowable costs claimed that exceed the amount the amount paid, totaling $63,862, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on December 30, 2009. Betty Ng, Financial Services Officer, responded by letter dated January 11, 2010 (Attachment), agreeing with the audit results. The final audit report includes the district's response.

We issued a final audit report on February 5, 2010. Subsequently, we eliminated the restricted resource finding (previously noted in Finding 3) and reduced the penalty for filing a late claim for fiscal years 1998-99 through 2000-01 from 10% of claimed costs to 10% of allowable costs. As a result of these changes, allowable costs increased by $64,882, from $841,508 to $906,390. We advised Ms. Takahashi, Financial Services Officer, of the revision on August 20, 2012.

Restricted Use

This report is solely for the information and use of Long Beach Unified School District, the Los Angeles 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

September 7, 2012

Revised Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2001

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
July 1, 1998, through June 30, 1999				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	$ —	$ 8,424	$ 8,424	Finding 1
Pretest and post-test coordination	367,611	268,369	(99,242)	Finding 1
Test administration	—	15,436	15,436	Finding 1
Reporting and record keeping	—	33,101	33,101	Finding 1
Total salaries and benefits	367,611	325,330	(42,281)	
Materials and supplies				
Training, policies, and procedures	20,116	268	(19,848)	Finding 2
Test materials, supplies and equipment	650,186	253,294	(396,892)	Finding 2
Pretest and post-test coordination	—	27,245	27,245	Finding 2
Reporting and record keeping	53,938	23,799	(30,139)	Finding 2
Total materials and supplies	724,240	304,606	(419,634)	
Total direct costs	1,091,851	629,936	(461,915)	
Total indirect costs	54,483	31,434	(23,049)	Findings 1, 2
Total direct and indirect costs	1,146,334	661,370	(484,964)	
Less offsetting reimbursements	(512,365)	(357,069)	155,296	Finding 3
Subtotal	633,969	304,301	(329,668)	
Less late filing penalty [2, 3]	(63,397)	(30,430)	32,967	
Total program costs	$ 570,572	273,871	$ (296,701)	
Less amount paid by the State [4]		(238,148)		
Allowable costs claimed in excess of (less than) amount paid		$ 35,723		
July 1, 1999, through June 30, 2000				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	$ —	$ 6,064	$ 6,064	Finding 1
Pretest and post-test coordination	408,456	289,003	(119,453)	Finding 1
Test administration	—	17,419	17,419	Finding 1
Reporting and record keeping	—	26,734	26,734	Finding 1
Total salaries and benefits	408,456	339,220	(69,236)	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
July 1, 1999, through June 30, 2000 (continued)				
Materials and supplies				
Training, policies, and procedures	13,255	459	(12,796)	Finding 2
Test materials, supplies and equipment	153,599	54,905	(98,694)	Finding 2
Pretest and post-test coordination	—	15,995	15,995	Finding 2
Reporting and record keeping	31,031	37,171	6,140	Finding 2
Total materials and supplies	197,885	108,530	(89,355)	
Total direct costs	606,341	447,750	(158,591)	
Total indirect costs	27,346	20,194	(7,152)	Findings 1, 2
Total direct and indirect costs	633,687	467,944	(165,743)	
Less offsetting reimbursements	(173,458)	(122,114)	51,344	Finding 3
Subtotal	460,229	345,830	(114,399)	
Less late filing penalty [2, 5]	(20,681)	(9,241)	11,440	
Total program costs	$ 439,548	336,589	$ (102,959)	
Less amount paid by the State [4]		(318,553)		
Allowable costs claimed in excess of (less than) amount paid		$ 18,036		
July 1, 2000, through June 30, 2001				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	$ —	$ 4,120	$ 4,120	Finding 1
Pretest and post-test coordination	544,935	314,311	(230,624)	Finding 1
Test administration	—	18,479	18,479	Finding 1
Reporting and record keeping	—	21,673	21,673	Finding 1
Total salaries and benefits	544,935	358,583	(186,352)	
Materials and supplies				
Pretest and post-test coordination	—	14,838	14,838	Finding 2
Reporting and record keeping	13,915	16,106	2,191	Finding 2
Total materials and supplies	13,915	30,944	17,029	
Total direct costs	558,850	389,527	(169,323)	
Total indirect costs	30,066	20,957	(9,109)	Findings 1, 2
Total direct and indirect costs	588,916	410,484	(178,432)	
Less offsetting reimbursements	(179,270)	(114,554)	64,716	Finding 3
Subtotal	409,646	295,930	(113,716)	
Less late filing penalty [2, 6]	(1,166)	—	1,166	
Total program costs	$ 408,480	295,930	$ (112,550)	
Less amount paid by the State [4]		(285,827)		
Allowable costs claimed in excess of (less than) amount paid		$ 10,103		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
Summary: July 1, 1998, through June 30, 2001				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	$ —	$ 18,608	$ 18,608	
Pretest and post-test coordination	1,321,002	871,683	(449,319)	
Test administration	—	51,334	51,334	
Reporting and record keeping	—	81,508	81,508	
Total salaries and benefits	1,321,002	1,023,133	(297,869)	
Materials and supplies				
Training, policies, and procedures	33,371	727	(32,644)	
Test materials, supplies and equipment	803,785	308,199	(495,586)	
Pretest and post-test coordination	—	58,078	58,078	
Reporting and record keeping	98,884	77,076	(21,808)	
Total materials and supplies	936,040	444,080	(491,960)	
Total direct costs	2,257,042	1,467,213	(789,829)	
Total indirect costs	111,895	72,585	(39,310)	
Total direct and indirect costs	2,368,937	1,539,798	(829,139)	
Less offsetting reimbursements	(865,093)	(593,737)	271,356	
Subtotal	1,503,844	946,061	(557,783)	
Less late filing penalty	(85,244)	(39,671)	45,573	
Total program costs	$ 1,418,600	906,390	$ (512,210)	
Less amount paid by the State [4]		(842,528)		
Allowable costs claimed in excess of (less than) amount paid		$ 63,862		

[1] See the Findings and Recommendations section.

[2] Government Code section 17561, subdivision (d)(3), allows claimants to file an initial reimbursement claim within one year after the initial filing deadline, subject to a 10% penalty on allowable costs for filing a late claim. Initial reimbursement claims filed after September 30, 2002, were not subject to a maximum penalty. The SCO assesses the penalty on allowable costs that exceed the amount filed by the initial filing deadline. FY 1998-99 through FY 2000-01 claims were initial reimbursement claims filed after September 30, 2002.

[3] The district did not file an initial reimbursement claim by the initial filing deadline.

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

[5] The district filed an initial reimbursement claim for $253,419 by the initial filing deadline and amended it to $460,229 within one year of the initial filing deadline.

[6] The district filed an initial reimbursement claim for $394,983 by the initial filing deadline and amended it to $409,646 within one year of the initial filing deadline.

Findings and Recommendations

FINDING 1—
Overstated salaries and benefits and related indirect costs

The district claimed $1,321,002 in salaries and benefits and $66,083 in related indirect costs for the audit period. The district claimed all salary and benefit costs under pretest and post-test coordination, omitting the employees' names for the other reimbursable activities. In addition, the district combined reimbursable and non-reimbursable tests while preparing the claims.

Previously, the SCO audited Long Beach Unified School District's Standardized Testing and Reporting (STAR) Program for fiscal year (FY) 2001-02 through FY 2003-04. In that audit, issued November 30, 2007, we worked with the district to develop time standards for each reimbursable activity. With the district's consent, we used those time standards to substantiate the claims for FY 1998-99, FY 1999-2000, and FY 2000-01. Additionally, the district calculated the reimbursable percentages to represent the mandated portion of the STAR Program. The mandated portion of STAR is comprised of the SAT-9, SABE/2, and CAT/6 tests.

Based on the time standards available, and the district-calculated reimbursable percentages, we determined that the district overstated salaries and benefits and related indirect costs by $313,127.

The following table summarizes the overstated claimed costs for salaries and benefits and related indirect costs by each reimbursable activity:

	Fiscal Year			
	1998-99	1999-2000	2000-01	Total
Salaries and benefits:				
Training, policies and procedures	$ 8,424	$ 6,064	$ 4,120	$ 18,608
Pretest/post-test coordination	(99,242)	(119,453)	(230,624)	(449,319)
Test administration	15,436	17,419	18,479	51,334
Reporting and recordkeeping	33,101	26,734	21,673	81,508
Total direct costs	(42,281)	(69,236)	(186,352)	(297,869)
Indirect costs	(2,110)	(3,122)	(10,026)	(15,258)
Audit adjustment	$ (44,391)	$ (72,358)	$ (196,378)	$ (313,127)

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. Documents may include , but are not limited to worksheets, employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. . . .

Recommendation

We recommend that the district claim only costs that are reimbursable under the program's parameters and guidelines, and that are properly supported with source documents.

District's Response

The district concurred with the finding.

FINDING 2—Misstated materials and supplies, and related indirect costs

The district overstated materials and supplies by $491,960 and related indirect costs by $24,054. Many of the costs were either overstated or non-reimbursable. In addition, the district did not claim all costs related to the mandate.

We made the audit adjustments for the reasons noted below.

For FY 1998-99:

- For training, the district overstated $19,848 in materials because it claimed costs for practice tests.
- For the Test Materials, Supplies, and Equipment component, we allowed $253,294 for test materials, which represents the mandated portion. We reduced costs for the following items: (1) $107,525 for the non-mandated portion; (2) $35,465 for the Aprenda 2 test; (3) $176,049 in unsupported costs; (4) $50,153 for practice tests; and (5) $27,700 that was relocated to pretest and post-test component. The Aprenda 2 test was not included in the test claim of the mandate, and hence was not reimbursable. Any material identified as classroom guidance for administering the tests, or classified as battery tests, are also not reimbursable.
- For the pretest and post-test component, we relocated $27,700 from the Test Materials, Supplies, and Equipment component. However, we reduced the allowable costs by $455, which represents the non-mandated portion of the STAR Program.
- For reporting and recordkeeping, we allowed $23,799 in materials. We reduced costs for the following items: (1) $36,461 for Aprenda 2 test; (2) $874 for practice tests; and (3) $3,966 for the non-mandated portion of STAR. Envelope costs of $4,174 were relocated to FY 1999-2000. Mailing student test results was increased by $15,336.

FY 1999-2000:

- For training, the district overstated costs by $12,796. The overstatements are comprised of $12,603 for practice tests, and $193 for the non-mandated portion of STAR.
- For the Test Materials, Supplies, and Equipment component, the district overstated costs by $98,338 for practice tests and $356 for Aprenda 2 test.

- For pretest and post-test activities, the district did not claim $22,720 for pre-ID costs; we reduced this amount to the mandated portion. As a result, the allowable costs amount to $15,995.
- For reporting and recordkeeping, we allowed $37,171 in materials. We reduced costs for practice tests, scoring services, and unsupported costs by $11,727. The adjustment for the non-mandated portion of STAR was $1,045. Envelope costs of $4,174 were relocated from FY 1998-99 and reduced to the mandated percentage of $2,938; postage costs were increased by $15,974.

For FY 2000-01:

- The district did not claim costs for training materials or for test materials, supplies, and equipment.
- For pretest and post-test activities, the district understated $23,220 for pre-ID costs; we reduced the amount to the mandated portion. As a result, the allowable costs amount to $14,838.
- For reporting and recordkeeping, we allowed $16,016. We reduced costs for the following items: (1) $9,486 non-reimbursable materials, such as brochure expenses and API reports; (2) $3,507 non-supported; and (3) $332 for the non-mandated portion of STAR. We increased reimbursement for the costs of mailing student test results by $15,516.

Prior to our exit conference, we provided the detailed adjustment reports to the district. The following table summarizes our calculations for the materials and supplies audit adjustments:

	Fiscal Year			
	1998-99	1999-2000	2000-01	Total
Materials and supplies:				
Training, policies, and procedures	$ (19,848)	$ (12,796)	$ —	$ (32,644)
Materials, supplies, and equipment	(396,892)	(98,694)	—	(495,586)
Pre-test and post-test coordination	27,245	15,995	14,838	58,078
Reporting and recordkeeping	(30,139)	6,140	2,191	(21,808)
Total direct costs	(419,634)	(89,355)	17,029	(491,960)
Indirect cost adjustment	(20,940)	(4,030)	916	(24,054)
Audit adjustment	$ (440,574)	$ (93,385)	$ 17,945	$ (516,014)

The parameters and guidelines (section V.2) state:

> Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases should be at the actual price after deducting discounts, rebates, and allowances received by the claimant.

Recommendation

We recommend that the district claim only costs that are reimbursable under the program's parameters and guidelines, and are properly supported with source documents.

District's Response

The district concurred with the finding.

FINDING 3—Overstated reimbursements

The district overstated reimbursements by $271,356 because it claimed STAR apportionments in their entirety, instead of only the mandated portions.

The following table summarizes the overstated reimbursements:

	Fiscal Year			
	1998-99	1999-2000	2000-01	Total
Reimbursements:				
CDE apportionments	$ 508,646	$ 173,458	$ 179,270	$ 861,374
Mandated percentage	× (70.20)%	× (70.40)%	× (63.90)%	
Apportionment per audit	(357,069)	(122,114)	(114,554)	$ (593,737)
Claimed apportionments	512,365	173,458	179,270	865,093
Audit adjustment	$ 155,296	$ 51,344	$ 64,716	$ 271,356

The parameters and guidelines (section VII) state:

> Any offsetting savings the claimant experiences in the same program as a result of the same statues or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Recommendation

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

District's Response

The district concurred with the finding.

Other Issues

District's Response

The district concurred with the audit findings. However, in its response, the district referred to and reiterated its concerns previously presented in its response to the STAR audit for FY 2001-02 through FY 2003-04 related to the scope of the reimbursable STAR program.

SCO's Comment

We performed the audit based on the Commission on State Mandates (CSM) adopted parameters and guidelines for the STAR program and in accordance with the methodology developed for the prior STAR audit for FY 2001-02, FY 2002-03, and FY 2003-04. We maintain our position that the mandated STAR program is narrower in scope than the California Department of Education's (CDE) STAR Program and that it defines only SAT-9 (replaced by the CAT/6) and SABE/2 as reimbursable for the activities listed by the parameters and guidelines. The CDE's STAR program includes non-reimbursable activities and tests, such as the California Standards Tests and California Alternate Performance Assessment.

Attachment—
District's Response to
Draft Audit Report

Long Beach Unified School District
Business Department – Financial Services
1515 Hughes Way, Long Beach, California 90810
(562) 997-8191 *Fax # (562) 997-8284

January 11, 2010

Jim L. Spano, CPA
Chief, Mandated Cost Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

SUBJECT: Long Beach Unified School District
Standardized Testing and Reporting (STAR) Program
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 1998/99 thru 2000/01

This letter is written in response to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Long Beach Unified School District (District) for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1998 through June 30, 2001. The District extends its sincere appreciation to the SCO staff for their professionalism throughout this audit. Specifically the District wants to thank Dr. Deanna Skolfield (Audit Manager) and Flor Yakabe (Auditor) for their effort and dedication in working with the District.

Although the District has no significant material challenges to the findings, we would like to reiterate our specific concerns regarding this mandate program found in the District response to the STAR Audit of Annual Mandate Reimbursement Claim for Fiscal Years 2001/02 thru 2003/04. This letter was dated November 20, 2007.

The District wishes to thank the SCO for this opportunity to respond to the audit findings and hopes to maintain a continual partnership for the public education of California students.

If you have any questions, please feel free to contact me at (562) 997-8191.

Sincerely,

Betty Ng
Financial Services Officer

cc: Susan Ginder
James Gulek
Susan Livesay
Rosemary Perry
Kim Stallings

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