

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

Revised Audit Report

INTRADISTRICT ATTENDANCE PROGRAM

Chapter 161, Statutes of 1993,
and Chapter 915, Statutes of 1993

July 1, 2000, through June 30, 2003



JOHN CHIANG
California State Controller

February 2012



JOHN CHIANG
California State Controller

February 8, 2012

Darryl Adams, President
Board of Education
Norwalk-La Mirada Unified School District
12820 Pioneer Boulevard
Norwalk, CA 90650-2894

Dear Mr. Adams:

The State Controller's Office (SCO) audited the costs claimed by the Norwalk-La Mirada Unified School District for the legislatively mandated Intradistrict Attendance Program (Chapter 161, Statutes of 1993, and Chapter 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$427,380 for the mandated program. Our audit disclosed that \$369,949 is allowable and \$57,431 is unallowable because the district claimed ineligible costs for general schoolsite facilities planning. The State made no payments to the district. The State will pay allowable costs claimed, contingent upon available appropriations.

This second revised final report supersedes the first revised report dated March 22, 2011, to allow an additional \$164,202 in reimbursable costs. In the first and second revised reports, we reconsidered the initial finding in light of the September 21, 2010 appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. In the initial prior final audit report dated December 23, 2005, we did not allow any costs as they were supported only with employee certifications of monthly hours prepared at the end of each fiscal year without contemporaneous documentation validating the hours claimed. However, the court ruled that the SCO contemporaneous source document rule (CSDR) was invalid prior to the Commission on State Mandates's (CSM) adoption of the rule in the Intradistrict Attendance Program's parameters and guidelines. The CSM adopted the CSDR in this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the initial finding without using the CSDR. We reinstated the entire salaries and benefits claimed, totaling \$21,106, for the random selection process. We also reinstated \$324,682 of the \$378,474 in salaries and benefits claimed for schoolsite capacity. For schoolsite capacity, we allowed all costs related to enrollment and program capacity projections; we did not allow ineligible facilities task force or architect costs. Consequently, allowable costs increased by \$369,949 for the audit period; this total consists of \$345,788 in salaries and benefits and \$24,161 in related indirect costs.

The district previously filed an Incorrect Reduction Claim (IRC) with the CSM on May 30, 2006, based on the final audit report issued on December 23, 2005, and amended it on July 7, 2011, based on the March 22, 2011 revised final report. If you disagree with the revised audit finding reported herein, you may amend the IRC with the CSM. The amended 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/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: Ruth Pérez, Ed.D., Superintendent
Norwalk-La Mirada Unified School District
Estuardo Santillan
Assistant Superintendent of Business Services
Norwalk-La Mirada Unified School District
Manuel S. Cardoso Jr., Director of Fiscal Services
Norwalk-La Mirada Unified School District
Arturo Delgado, Ed.D., Superintendent of Schools
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Gregory A. Wedner, Attorney
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Norwalk-La Mirada Unified School District for the legislatively mandated Intradistrict Attendance Program (Chapter 161, Statutes of 1993, and Chapter 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$427,380 for the mandated program. Our audit disclosed that \$369,949 is allowable and \$57,341 is unallowable because the district claimed ineligible costs for general schoolsite facilities planning. The State made no payments to the district. The State will pay allowable costs claimed, contingent upon available appropriations.

Background

Chapter 161, Statutes of 1993, added Education Code section 35160.5, subdivision (c). Chapter 204, Statutes of 1996, subsequently renumbered this code section to section 35160.5, subdivision (b). The law requires the governing board of each school district, on or before July 1, 1994, to prepare and adopt rules that establish and implement an open enrollment policy for district residents. The policy must ensure that:

- The parent or guardian of each school-aged child who is a resident in the district may select the schools the child shall attend;
- Once an intradistrict transfer is selected, the district will ascertain the impact of the transfer upon the maintenance of appropriate racial and ethnic balances among the respective schools;
- Intradistrict attendance in excess of school-site attendance area capacity will be determined by a random, unbiased process that prohibits pupil evaluation for enrollment based upon the pupil's academic or athletic performance; and
- No pupil who currently resides in the attendance area of a school may be displaced by pupils transferring from outside the attendance area.

Chapter 915, Statutes of 1993, amended Education Code section 35160.5, subdivision (c), to specify that the intradistrict attendance program does not apply to any school district that has only one school or to schools that do not serve any of the same grade levels. The amendment also requires school districts to determine school capacities within the district's jurisdiction.

On January 19, 1995, the Commission on State Mandates (CSM) determined that Chapters 161 and 915, Statutes of 1993, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on May 24, 1995. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Intradistrict Attendance Program for the period of July 1, 2000, 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 the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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 *Government Auditing Standards*. However, the district declined our request.

Conclusion

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Norwalk-La Mirada Unified School District claimed \$427,380 for costs of the Intradistrict Attendance Program. Our audit disclosed that \$369,949 is allowable and \$57,431 is unallowable. For the audit period, the State made no payment to the district. The State will pay allowable costs claimed, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 15, 2005. Maureen Saul, Ph.D., Assistant Superintendent of Business Services, responded by letter dated September 6, 2005, disagreeing with the audit results. We issued a final audit report on December 23, 2005.

Subsequently, we revised the finding in light of the appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller* and reissued the first revised final report on March 22, 2011. We reinstated \$205,747 in costs (\$192,442 in salaries and benefits and \$13,305 in indirect costs). In an e-mail dated March 21, 2011, Manuel S. Cardoso, Jr., Director of Fiscal Services, stated the district received and understands the changes in the report and has no further comment at this time.

In this second revised report, we corrected an error in the calculation of reimbursable costs. The first revised report inadvertently included an adjustment for costs not related to ineligible general schoolsite facilities planning costs. We reinstated an additional \$164,202 in costs (\$153,346 in salaries and benefits and \$10,856 in indirect costs).

The district filed an incorrect reduction claim (IRC) on May 30, 2006, and revised it on July 13, 2011. The district designated Keith B. Petersen, President, SixTen and Associates, as its sole representative in these IRCs. We updated Mr. Petersen as to the changes to the report on January 11, 2012. In an e-mail dated January 12, 2012, Mr. Petersen advised our office to proceed with issuing the second revised audit report, as there is no additional district documentation to be provided. Mr. Petersen also stated that after the release of the second revised audit report and another review of all documentation, he would probably advise the district to withdraw the initial and revised IRCs.

Restricted Use

This report is solely for the information and use of the Norwalk-La Mirada 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

February 8, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment ¹</u>
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 155,042	\$ 119,517	\$ (35,525)
Indirect costs	<u>10,465</u>	<u>8,067</u>	<u>(2,398)</u>
Total costs	<u>\$ 165,507</u>	127,584	<u>\$ (37,923)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 127,584</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 122,667	\$ 105,246	\$ (17,421)
Indirect costs	<u>8,292</u>	<u>7,114</u>	<u>(1,178)</u>
Total costs	<u>\$ 130,959</u>	112,360	<u>\$ (18,599)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,360</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits	\$ 121,871	\$ 121,025	\$ (846)
Indirect costs	<u>9,043</u>	<u>8,980</u>	<u>(63)</u>
Total costs	<u>\$ 130,914</u>	130,005	<u>\$ (909)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 130,005</u>	
<u>Summary: July 1, 2000, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits	\$ 399,580	\$ 345,788	\$ (53,792)
Indirect costs	<u>27,800</u>	<u>24,161</u>	<u>(3,639)</u>
Total costs	<u>\$ 427,380</u>	369,949	<u>\$ (57,431)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 369,949</u>	

¹ See the Finding and Recommendation section.

Revised Finding and Recommendation

**FINDING—
Unallowable salaries,
benefits, and related
indirect costs**

The district claimed unallowable salaries and benefits of \$53,792 for the audit period. The related indirect costs total \$3,639. Costs claimed were not related to the mandate program.

The district claimed \$53,792 in salaries and benefits for schoolsite capacity that was not related to intradistrict attendance. The district claimed hours spent on general schoolsite facilities planning. We allowed all costs related to enrollment and program capacity projections; we did not allow ineligible facilities task force (fiscal year [FY] 2000-01 and FY 2001-02) or architect costs (FY 2002-03).

The following table summarizes the audit adjustments to the salaries and benefits and the related indirect costs.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Salaries and benefits	\$ (35,525)	\$ (17,421)	\$ (846)	\$ (53,792)
Related indirect costs	(2,398)	(1,178)	(63)	(3,639)
Audit adjustments	<u>\$ (37,923)</u>	<u>\$ (18,599)</u>	<u>\$ (909)</u>	<u>\$ (57,431)</u>

The program’s parameters and guidelines limit schoolsite capacity reimbursement to “determining the total enrollment and program capacity of each school in the district.”

Recommendation

We recommend that the district establish and implement procedures to ensure that claimed costs are applicable to and reimbursable under the parameters and guidelines of the mandated program.

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