

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

Revised Audit Report

SCHOOL DISTRICT OF CHOICE: TRANSFERS AND APPEALS PROGRAM

Chapter 160, Statutes of 1993,
and Chapter 1262, Statutes of 1994

July 1, 2000, through June 30, 2002



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 22, 2011

Lorraine Neal
Board President
Norwalk-La Mirada Unified School District
12820 Pioneer Boulevard
Norwalk, CA 90650-2894

Dear Ms. Neal:

The State Controller's Office audited the costs claimed by the Norwalk-La Mirada Unified School District for the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$283,000 for the mandated program. Our audit disclosed that the entire amount is allowable. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

This revised final report supersedes the previous revised report dated October 7, 2007. We reconsidered the 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 prior final audit report, we did not allow costs supported only with employee certifications of annual hours 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' (CSM) adoption of the rule in the School District of Choice: Transfers and Appeals 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 finding without using the CSDR. We reinstated the entire costs claimed totaling \$283,000, consisting of \$265,093 in salaries and benefits and \$17,907 in indirect costs.

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/sk

cc: Ruth Pérez, Ed.D., Superintendent
Norwalk-La Mirada Unified School District
Maureen Saul, Ph.D.
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
John R. Gundry, Interim Superintendent of Schools
Los Angeles 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, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Gregory A. Wedner, Attorney
Lozano Smith
Kathy Lynch, Deputy Attorney General
Attorney General's Office
Drew Bohan, Executive Director
Commission on State Mandates
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 the Norwalk-La Mirada Unified School District for the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$283,000 for the mandated program. Our audit disclosed that the entire amount is allowable. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

This revised final report supersedes the previous revised report dated October 7, 2007. We reconsidered the 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 prior final audit report, we did not allow costs supported only with employee certifications of annual hours 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' (CSM) adoption of the rule in the School District of Choice: Transfers and Appeals 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 finding without using the CSDR. We reinstated the entire costs claimed totaling \$283,000, consisting of \$265,093 in salaries and benefits and \$17,907 in indirect costs.

Background

Education Code sections 48209.1, 48209.7, 48209.10, 48209.13, and 48209.14 (added and amended by Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) require that any school district may elect to accept interdistrict transfers and become a school district of attendance "choice" for pupils from other school districts. They also establish the statutory right of the parent or guardian of a pupil who is prohibited from transferring, to appeal this decision to the county board of education.

The choice program requires districts that elect to participate to adopt several nondiscriminatory practices.

- Transfers are to be allowed on a random basis, subject to a numerical limit adopted by either the "sending" district of residence or the "receiving" district of choice, and may be prohibited if they adversely affect either school district's integration program;
- Although districts are not required to establish new programs to accommodate the pupil transfer, the school district of choice cannot prohibit a transfer of a pupil just because the additional cost of educating the pupil would exceed the amount of additional State aid received as a result of the transfer;

- Resident pupils cannot be displaced by a choice transfer;
- When a transfer request is rejected, the district must provide written notification to the parent or guardian stating the reason; and
- Once a transfer is granted, the pupil has the right of continuation to other grade levels.

All school districts are required to collect and report data on the number of requests submitted, transfers granted, and transfers denied.

On April 28, 1995, and May 6, 1996, the CSM determined that Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and defines reimbursement criteria. The CSM adopted the parameters and guidelines on July 25, 1996. 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 School District of Choice: Transfers and Appeals Program for the period of July 1, 2000, through June 30, 2002.

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 no material instances of noncompliance with the requirements outlined above.

For the audit period, Norwalk-La Mirada Unified School District claimed \$283,000 for costs of the School District of Choice: Transfers and Appeals Program. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on July 13, 2005. Maureen Saul, Ph.D., Assistant Superintendent, responded by letter dated July 28, 2005, disagreeing with the audit results. We issued a final audit report on October 7, 2005.

Subsequently, we eliminated the finding in light of the appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. We reinstated the entire costs claimed totaling \$283,000. We notified Manuel S. Cardoso, Jr., Director of Fiscal Services, of the changes on November 19, 2010, and e-mailed him a preliminary copy of the revised final report on March 11, 2011. In an e-mail dated March 21, 2011, Mr. Cardoso stated that the district received and understands the changes stated in the report and has no further comment at this time.

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

March 22, 2011

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 124,940	\$ 124,940	\$ —
Materials and supplies	—	—	—
Subtotal	124,940	124,940	—
Indirect costs	8,433	8,433	—
Total costs	<u>\$ 133,373</u>	133,373	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 133,373</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 140,153	\$ 140,153	\$ —
Materials and supplies	—	—	—
Subtotal	140,153	140,153	—
Indirect costs	9,474	9,474	—
Total costs	<u>\$ 149,627</u>	149,627	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 149,627</u>	
<u>Summary: July 1, 2000, through June 30, 2002</u>			
Salaries and benefits	\$ 265,093	\$ 265,093	\$ —
Materials and supplies	—	—	—
Subtotal	265,093	265,093	—
Indirect costs	17,907	17,907	—
Total costs	<u>\$ 283,000</u>	283,000	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 283,000</u>	

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

<http://www.sco.ca.gov>