

# **RIVERSIDE UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **INTRADISTRICT ATTENDANCE PROGRAM**

Chapters 161 and 915, Statutes of 1993

*July 1, 1999, through June 30, 2001*



**JOHN CHIANG**  
California State Controller

March 2011



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

March 18, 2011

Tom Hunt  
Board President  
Riverside Unified School District  
3380 14<sup>th</sup> Street  
Riverside, CA 92501

Dear Mr. Hunt:

The State Controller's Office audited the claims filed by the Riverside Unified School District for costs of the legislatively mandated Intradistrict Attendance Program (Chapters 161 and 915, Statutes of 1993) for the period of July 1, 1999, through June 30, 2001.

The district claimed \$537,278 (\$538,278 in costs less a \$1,000 late filing penalty) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$101,710. 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 June 19, 2007. We reconsidered the findings 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 ranging from monthly to 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 Intradistrict Attendance Program's parameters and guidelines. The CSM adopted the CSDR for this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the findings without using the CSDR. We reinstated the entire costs claimed totaling \$537,278, consisting of \$482,443 in salaries and benefits, \$28,941 in services and supplies, and \$26,894 in indirect costs, less a \$1,000 penalty for filing a late claim.

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: Richard L. Miller, Ph.D., Superintendent  
Riverside Unified School District  
Michael H. Fine, Deputy Superintendent  
Business Services and Governmental Relations  
Riverside Unified School District  
Sandie Meekins, Director of Business Services  
Riverside Unified School District  
Kenneth M. Young, County Superintendent of Schools  
Riverside 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

# Contents

## Revised Audit Report

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>3</b>
<b>Views of Responsible Official .....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Revised Schedule 1—Summary of Program Costs .....</b>	<b>4</b>

# Revised Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Riverside Unified School District for costs of the legislatively mandated Intradistrict Attendance Program (Chapters 161 and 915, Statutes of 1993) for the period of July 1, 1999, through June 30, 2001.

The district claimed \$537,278 (\$538,278 in costs less a \$1,000 late filing penalty) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$101,710. 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 June 19, 2007. We reconsidered the findings 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 ranging from monthly to 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 Intradistrict Attendance Program's parameters and guidelines. The CSM adopted the CSDR for this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the findings without using the CSDR. We reinstated the entire costs claimed totaling \$537,278, consisting of \$482,443 in salaries and benefits, \$28,941 in services and supplies, and \$26,894 in indirect costs, less a \$1,000 penalty for filing a late claim.

## Background

Chapter 161, Statutes of 1993, added Education Code section 35106.5(c), requiring the governing board of each school district, on or before July 1, 1994, to prepare and adopt rules establishing and implementing a policy of open enrollment within the district for residents of the district, which provides that:

- The parent or guardian of each school-age child who is a resident in the district may select the school the child shall attend;
- Once the intradistrict transfer is selected, the transfer is evaluated to 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 shall be determined by a random, unbiased process that prohibits an evaluation of whether any pupil should be enrolled based upon his or her academic or athletic performance; and
- No pupil who currently resides in the attendance area of a school shall be displaced by pupils transferring from outside the attendance area.

Chapter 915, Statutes of 1993, amended Education Code section 35106.5(c) to specify that the Intradistrict Attendance Program does not apply to school districts of only one school or school sites serving different grade levels, and that the school district is required to determine the capacity of the schools within the jurisdiction of the district.

On January 19, 1995, the CSM ruled that Chapter 781, Statutes of 1992, imposed a state mandate upon school districts 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 each mandate requiring state reimbursement in assisting local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Intradistrict Attendance Program (Chapters 161 and 915, Statutes of 1993) for the period of July 1, 1999, through June 30, 2001.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority provided for under Government Code section 17558.5. We did not audit the district's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed no material instances of noncompliance with the requirements outlined above.

For the audit period, Riverside Unified School District claimed \$537,278 (\$538,278 in costs less a \$1,000 late filing penalty) for costs of the Intradistrict Attendance Program. The State paid the district \$101,710. The State will pay allowable costs claimed that exceed the amount paid, totaling \$435,568, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on April 14, 2004. Michael H. Fine, Deputy Superintendent, responded by letter dated May 14, 2004, disagreeing with the audit results. We issued the final audit report on October 28, 2004, and revised it on June 19, 2007.

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 \$537,278. We advised Michael Fine, Deputy Superintendent, of the change on December 14, 2010, and e-mailed him a preliminary copy of the revised final report on March 11, 2011. In an e-mail dated March 15, 2011, Mr. Fine noted an error in the previous report revision date identified in the final transmittal letter and indicated that the district should be entitled to interest payment on the unpaid claims. We corrected the final transmittal letter and agree that the district is entitled to the interest.

**Restricted Use**

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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 18, 2011

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2001**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 255,948	\$ 255,948	\$ —
Materials and supplies	9,520	9,520	—
Subtotals	265,468	265,468	—
Indirect costs	15,901	15,901	—
Total program costs	<u>\$ 281,369</u>	281,369	<u>\$ —</u>
Less amount paid by the State		(48,003)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 233,366</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 226,495	\$ 226,495	\$ —
Materials and supplies	19,421	19,421	—
Subtotals	245,916	245,916	—
Indirect costs	10,993	10,993	—
Total direct and indirect costs	256,909	256,909	—
Less late penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 255,909</u>	255,909	<u>\$ —</u>
Less amount paid by the State		(53,707)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,202</u>	
<u>Summary: July 1, 1999, through June 30, 2001</u>			
Salaries and benefits	\$ 482,443	\$ 482,443	\$ —
Services and supplies	28,941	28,941	—
Subtotals	511,384	511,384	—
Indirect costs	26,894	26,894	—
Total direct and indirect costs	538,278	538,278	—
Less late penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 537,278</u>	537,278	<u>\$ —</u>
Less amount paid by the State		(101,710)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 435,568</u>	

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

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