

SANTA ANA UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2004, through June 30, 2008



JOHN CHIANG
California State Controller

June 2010



JOHN CHIANG
California State Controller

June 23, 2010

Audrey Yamagata-Noji, Ph.D., President
Board of Education
Santa Ana Unified School District
1601 East Chestnut Avenue
Santa Ana, CA 92701-6322

Dear Dr. Yamagata-Noji:

The State Controller's Office audited the costs claimed by the Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The 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 Web site at www.csm.ca.gov/docs/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: Jane A. Russo, Superintendent
Santa Ana Unified School District
Michael P. Bishop, Sr., Associate Superintendent
Santa Ana Unified School District
Kelvin Tsunozumi, Executive Director of Fiscal Services
Santa Ana Unified School District
Nancy Diaz-Miller, Senior Director of Pupil Support Services
Santa Ana Unified School District
William M. Habermehl, County Superintendent of Schools
Orange 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
Angie Teng, Section Supervisor
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 Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2004, through June 30, 2008.

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, Santa Ana Unified School District claimed \$701,401 for costs of the Notification of Truancy Program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable.

For the fiscal year (FY) 2004-05 claim, the State paid the district \$220,198. Our audit disclosed that \$166,448 is allowable. The State will offset \$53,750 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$84,056 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$31,256. Our audit disclosed that \$95,414 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$64,158, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit disclosed that \$70,243 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on January 13, 2010. Michael P. Bishop, Sr., Associate Superintendent, Business Services, responded by letter dated February 12, 2010 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Santa Ana Unified School District, the Orange 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

June 23, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2004, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	15,420	11,656	(3,764)	Finding 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs ²	<u>\$ 220,198</u>	166,448	<u>\$ (53,750)</u>	
Less amount paid by the State		<u>(220,198)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (53,750)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	11,613	5,409	(6,204)	Finding 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs ²	<u>\$ 180,466</u>	84,056	<u>\$ (96,410)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,056</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	12,039	5,908	(6,131)	Finding 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 194,430</u>	95,414	<u>\$ (99,016)</u>	
Less amount paid by the State		<u>(31,256)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 64,158</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	6,152	4,065	(2,087)	Finding 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 106,307</u>	70,243	<u>\$ (36,064)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 70,243</u>		
<u>Summary: July 1, 2004, through June 30, 2008</u>				
Total program costs	<u>\$ 701,401</u>	\$ 416,161	<u>\$ (285,240)</u>	
Less amount paid by the State		<u>(251,454)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 164,707</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

**FINDING 1—
Overstated and understated initial truancy notifications claimed**

The district claimed unallowable costs totaling \$3,463. The costs are unallowable because:

- The district claimed a total number of initial truancy notifications each year that differed from the total number that the district’s records support. The district either overstated or understated the number during each fiscal year.
- The district claimed duplicate initial truancy notification letters for students who received more than one letter during a school year.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Number of initial notifications documented:					
Elementary school	2,503	2,689	2,339	1,027	
Secondary school	12,924	8,452	9,313	5,705	
Total initial truancy notifications documented	15,427	11,141	11,652	6,732	
Initial truancy notifications claimed	(15,420)	(11,613)	(12,039)	(6,152)	
Under/(over)stated initial truancy notifications	7	(472)	(387)	580	
Uniform cost allowance	×\$14.28	×\$15.54	×\$16.15	×\$17.28	
Audit adjustment	\$ 100	\$ (7,335)	\$ (6,250)	\$ 10,022	\$ (3,463)

The program’s parameters and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District’s Response

The district did not respond to this audit finding.

SCO’s Comment

We revised our audit finding to incorporate the fiscal year (FY) 2004-05 and FY 2007-08 understated initial truancy notifications that we previously included in Finding 2. Our recommendation is unchanged.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district claimed non-reimbursable initial truancy notifications totaling \$281,778. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. We stratified the population into two groups, depending on whether the student was subject to daily or period attendance accounting.

We reviewed the district’s attendance records to verify whether sampled students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district’s attendance accounting system uses a two-part coding structure. A status code simply identifies that the student was absent or tardy. A reason code identifies whether the absence is excused or unexcused. The district provided lists that define the attendance absence codes for both elementary and secondary schools. The district identified the following absence reason codes as unexcused absences:

Code	Description
A	Unverified absence
H	Hooky/truant
T	Tardy truant—after 31 minutes
U	Unexcused absence

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during FY 2004-05 and FY 2005-06, and fewer than three unexcused absences or tardiness occurrences during FY 2006-07 and FY 2007-08.

The following table summarizes the unallowable initial truancy notifications claimed:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily Attendance Accounting:					
Number of unallowable truancy notifications	(100)	(78)	(77)	(86)	
Statistical sample size	÷ 142	÷ 142	÷ 141	÷ 131	
Unallowable percentage	(70.42)%	(54.93)%	(54.61)%	(65.65)%	
Number of initial truancy notifications documented	× 2,503	× 2,689	× 2,339	× 1,027	
Number of unallowable truancy notifications	(1,763)	(1,477)	(1,277)	(674)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	<u>(25,176)</u>	<u>(22,953)</u>	<u>(20,624)</u>	<u>(11,647)</u>	\$ (80,400)

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Period Attendance Accounting:					
Number of unallowable truancy notifications	(23)	(74)	(71)	(51)	
Statistical sample size	÷ 148	÷ 147	÷ 148	÷ 146	
Unallowable percentage	(15.54)%	(50.34)%	(47.97)%	(34.93)%	
Number of initial truancy notifications documented	× 12,924	× 8,452	× 9,313	× 5,705	
Number of unallowable truancy notifications	(2,008)	(4,255)	(4,467)	(1,993)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	<u>(28,674)</u>	<u>(66,123)</u>	<u>(72,142)</u>	<u>(34,439)</u>	<u>(201,378)</u>
Audit adjustment	<u>\$(53,850)</u>	<u>\$(89,076)</u>	<u>\$(92,766)</u>	<u>\$(46,086)</u>	<u>\$(281,778)</u>

Education Code section 48260, subdivision (a) (as amended in 1994), defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2004-05 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those pupils who meet the truancy definition provided in the parameters and guidelines.

In addition, we recommend that the district properly reflect the absence reason code for each student absence to identify whether the absence is excused or unexcused. We also recommend that the district establish specific absence reason codes to document when the district updates a student's absence from an unexcused absence to an excused absence after the district issues an initial truancy notification letter for the student.

District's Response

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records after the NOT was sent/received.

Attached to this memo is our supporting documentation. . . .

Subsequent to the district's response dated February 12, 2010, the district representative stated that the district considered all absences to be unexcused if the district's attendance records did not identify an absence reason code. The district also provided an electronic file to document changes to absence reason codes that occurred after the district issued an initial truancy notification letter for a student. This file also identified unexcused absences that were previously undocumented for some students.

SCO's Comment

Based on additional documentation that the district provided, we revised our finding to allow nine initial truancy notifications that we previously identified as unallowable in our draft audit report. We also revised our finding to exclude the FY 2004-05 and FY 2007-08 understated number of initial truancy notifications documented; these are now addressed in Finding 1.

We expanded our recommendation to address instances in which the district (1) does not identify the absence reason code in the student's attendance records; and (2) revises absence reason codes after it issues an initial truancy notification letter for a student.

In its February 12, 2010, response to our draft audit report, the district states, "Absence code 'A' (unverified) was not included in the auditor's attendance record sampling. . . ." The district is mistaken; we *did* include absence reason code "A" as a documented unexcused absence in determining whether students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district also submitted an electronic file summarizing the district's review of student's attendance records for those initial truancy notifications that we identified as unallowable in our draft audit report.

The following table summarizes the number of unallowable initial truancy notifications that we identified and the number that the district believes are unallowable:

	<u>Daily Attendance Accounting</u>	<u>Period Attendance Accounting</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(100)	(23)
Unallowable per district	<u>(52)</u>	<u>(23)</u>
Difference	<u>48</u>	<u>—</u>
Fiscal Year 2005-06:		
Unallowable per SCO	(79)	(77)
Unallowable per district	<u>(24)</u>	<u>(3)</u>
Difference	<u>55</u>	<u>74</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(77)	(73)
Unallowable per district	<u>(36)</u>	<u>(5)</u>
Difference	<u>41</u>	<u>68</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(86)	(54)
Unallowable per district	<u>(42)</u>	<u>(5)</u>
Difference	<u>44</u>	<u>49</u>

The documentation that the district submitted February 12, 2010, was insufficient to support any changes to the draft audit report.

The district stated that absences without a specified absence reason code are equivalent to unverified—and thus unexcused—absences. The district believes that the SCO should include these absences in determining whether students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant. We disagree. The district previously provided attendance reason codes that include a code specifically for unverified absences. The district provided no contemporaneous attendance accounting procedures, memorandum, policy statement, or other documents to support its statement regarding absences without a specified absence reason code. In addition, the district did not provide any additional documentation showing that the absences were unexcused.

On March 15, 2010, the district provided a second electronic file comprised of attendance records for 433 students. The attendance records identify nine additional students who accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. We revised our audit finding to account for these allowable initial truancy notifications. In addition, the district identified various students whose attendance reason codes were modified after the district issued an initial truancy notification letter. The district believes that the modified absence reason codes originally identified an unexcused absence, thus supporting the initial truancy notification. However, the district did not provide any documentation showing the original absence reason code. The documented absence reason codes did not identify the minimum number of unexcused absences or tardiness occurrences for these students to be classified as truant.

**Attachment—
District's Response to
Draft Audit Report**



Santa Ana Unified School District

Michael P. Bishop, Sr.
Associate Superintendent,
Business Services

Jane Russo, Superintendent

February 12, 2010

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Notification of Truancy (NOT) Program Audit for Santa Ana Unified School District

Thank you for the opportunity to review your findings as it relates to the audit of our District's Notification of Truancy Program for the period of July 1, 2004 through June 30, 2008 and for extending the time period of our response till February 26, 2010

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records *after* the NOT was sent/received.

Attached to this memo is our supporting documentation. We will contact your office next week to schedule a conference call to fully explain our position. We will also send an electronic file of the supporting documentation to Messrs. Cobbinah and Howell.

If you have any questions, please contact me at (714) 558-5826.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Bishop" with a stylized flourish.

Michael P. Bishop, Sr., CBO
Associate Superintendent, Business Services

Attach.:

cc: John Hill Cobbinah, Audit Manager, Division of Audits
Ken Howell, Auditor, Division of Audits
Phil K. Urrable, Ed.D., Educational Consulting Services, Inc.
Margarita Ronquillo, Educational Consulting Services, Inc.
Jane A. Russo, Superintendent; Doreen Lohnes, Assistant Superintendent, Support Services
Nancy Diaz-Miller, Senior Director, Pupil Support Services; Kelvin Tsunezumi, Executive Director of Fiscal Services

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322, (714) 558-5501

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

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