

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Audit Report

AIDS PREVENTION INSTRUCTION PROGRAM

Chapter 818, Statutes of 1991

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

September 2005



STEVE WESTLY
California State Controller

September 9, 2005

Arturo Delgado, Ed.D, Superintendent
San Bernardino City Unified School District
777 North F Street
San Bernardino, CA 92410

Dear Dr. Delgado:

The State Controller's Office audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated AIDS Prevention Instruction Program (Chapter 818, Statutes of 1991) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$953,791 for the mandated program. Our audit disclosed that \$712,460 is allowable and \$241,331 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs and did not reduce claimed costs by federal funds. The State paid the district \$899,984. The amount paid exceeds allowable costs claimed by \$187,524.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: Mohammad Z. Islam

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San Bernardino City Unified School District

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated AIDS Prevention Instruction Program (Chapter 818, Statutes of 1991) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was February 10, 2005.

The district claimed \$953,791 for the mandated program. Our audit disclosed that \$712,460 is allowable and \$241,331 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs, and did not reduce claimed costs by federal funds. The State paid the district \$899,984. The amount paid exceeds allowable costs claimed by \$187,524.

Background

Education Code Sections 51201.5 and 51229.8 (added by Chapter 818, Statutes of 1991, and moved to Sections 51934 and 51935, respectively, by Chapter 650, Statutes of 2003) require that school districts with pupils in grades 7 through 12 do the following:

- Cooperatively plan and conduct in-service training for all teachers and school employees who provide AIDS prevention instruction;
- Provide appropriate written notice explaining the purpose of the AIDS prevention instruction to each pupil's parent or guardian; and
- Participate in the selection and purchase of AIDS instructional materials.

Education Code Section 51201.5 (amended by Chapter 403, Statutes of 1998, and moved to Section 51934) and Section 51554 (added by the same legislation and moved to Section 51930) added a new mandate requiring school districts to:

- Include specific information in the AIDS prevention instruction;
- Revise the annual parent or guardian notifications regarding the right to obtain a copy of specified *Education Code* sections from the school district;
- Keep file copies of the specified *Education Code* sections and make them available to parents or guardians on request;
- Notify parents or guardians by mail or other method used by the school district each time an outside organization, a guest speaker, or an assembly is scheduled to deliver AIDS prevention instruction (the cost of the notification is allowable if the activity is part of the twice-required AIDS prevention instruction); and

- Provide notification to parents or guardians at the beginning of each school year—or for pupils who enroll thereafter, at the time of that pupil’s enrollment—about instruction on sexually transmitted diseases, AIDS, human sexuality, or family life that is delivered in an assembly by a teacher or district administrator who is employed by the district only if the notification is due to the twice-required AIDS prevention instruction.

Education Code Section 51553(b)(1)(A) (amended by Chapter 234, Statutes of 1999, and moved to Section 51930) states that factual information presented in course materials and instruction shall be medically accurate and objective.

On February 25, 1993, the Commission on State Mandates (COSM) determined that *Education Code* Sections 51201.5 and 51229.8 imposed a state mandate reimbursable under *Government Code* Section 17514.

On October 24, 2002, the COSM determined that *Education Code* Section 51201.5, as amended, and Section 51554 imposed a state mandate reimbursable under *Government Code* Section 17514.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on July 22, 1993, and last amended it on December 2, 2003. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, in order 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 AIDS Prevention Instruction Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and 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* Section 17558.5. 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.

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, the San Bernardino City Unified School District claimed \$953,791 for costs of the AIDS Prevention Instruction Program. Our audit disclosed that \$712,460 is allowable and \$241,331 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the district \$295,222. Our audit disclosed that \$210,202 is allowable. The district should return \$85,020 to the State.

For FY 2000-01, the State paid the district \$300,000. Our audit disclosed that \$171,805 is allowable. The district should return \$128,195 to the State.

For FY 2001-02, the State paid the district \$304,762. Our audit disclosed that \$330,453 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$25,691, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued the draft report on June 17, 2005. Mohammad Islam, Assistant Superintendent of Business Services, responded by telephone on July 29, 2005, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the San Bernardino City Unified School District, the San Bernardino 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

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 299,119	\$ 262,329	\$ (36,790)	Finding 1
Services and supplies	199,206	155,117	(44,089)	Finding 2
Total direct costs	498,325	417,446	(80,879)	
Indirect costs	25,514	21,373	(4,141)	Findings 1, 2
Total direct and indirect costs	523,839	438,819	(85,020)	
Less offsetting savings/reimbursements	(228,617)	(228,617)	—	
Total program costs	<u>\$ 295,222</u>	210,202	<u>\$ (85,020)</u>	
Less amount paid by the State		(295,222)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (85,020)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 225,636	\$ 267,557	\$ 41,921	Findings 1, 4
Services and supplies	82,541	108,673	26,132	Finding 4
Total direct costs	308,177	376,230	68,053	
Indirect costs	19,939	24,192	4,253	Findings 1, 3, 4
Total direct and indirect costs	328,116	400,422	72,306	
Less offsetting savings/reimbursements	—	(228,617)	(228,617)	Finding 4
Total program costs	<u>\$ 328,116</u>	171,805	<u>\$ (156,311)</u>	
Less amount paid by the State		(300,000)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (128,195)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 300,723	\$ 300,032	\$ (691)	Findings 1, 4
Services and supplies	12,088	251,526	239,438	Finding 4
Total direct costs	312,811	551,558	238,747	
Indirect costs	17,642	31,108	13,466	Findings 1, 4
Total direct and indirect costs	330,453	582,666	252,213	
Less offsetting savings/reimbursements	—	(228,617)	(228,617)	Finding 4
Total program costs	330,453	354,049	23,596	
Adjustment to reduce allowable costs to claimed costs	—	(23,596)	(23,596)	
Not program costs	<u>\$ 330,453</u>	330,453	<u>\$ —</u>	
Less amount paid by the State		(304,762)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 25,691</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Salaries and benefits	\$ 825,478	\$ 829,918	\$ 4,440	
Services and supplies	293,835	515,316	221,481	
Total direct costs	1,119,313	1,345,234	225,921	
Indirect costs	63,095	76,673	13,578	
Total direct and indirect costs	1,182,408	1,421,907	239,499	
Less offsetting savings/reimbursements	(228,617)	(685,851)	(457,234)	
Total program costs	953,791	736,056	(217,735)	
Adjustment to reduce allowable costs to claimed costs	—	(23,596)	(23,396)	
Net program costs	<u>\$ 953,791</u>	712,460	<u>\$ (241,331)</u>	
Less amount paid by the State		(899,984)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (187,524)</u>	

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries,
benefits, and related
indirect costs**

The district did not support \$211,336 in claimed salary and benefit costs. (These costs were not charged to the PK/PI function code described in Finding 4.) The related indirect costs, based on the claimed rate, total \$12,183.

The district provided annual declarations to substantiate hours claimed by principals, counselors, health aides, and clerical staff for FY 1999-2000 and FY 2001-02, and counselors, health aides, clerical staff, teachers, and secretaries for FY 2000-01. The district did not provide any source documents to substantiate hours recorded on the annual declarations. For FY 1999-2000, the district did not provide any documentation to substantiate hours claimed for nurses. For FY 2000-01, the district did not provide any documentation to substantiate hours claimed for 23 unidentified nurses, one secretary, and several vice-principals and principals. For FY 2001-02, the district did not provide any documentation to substantiate hours claimed for 23 unidentified nurses, 26 unidentified teachers, and 30 unidentified clerks. For the unidentified staff, the district’s claim quantified the number of staff without identifying the individuals who performed the function.

Following is a summary of adjustments for salary and benefit costs, and related indirect costs.

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Salaries and benefits	\$ (36,790)	\$ (54,807)	\$(119,739)	\$ (211,336)
Related indirect costs	(1,884)	(3,546)	(6,753)	(12,183)
Audit adjustment	<u>\$ (38,674)</u>	<u>\$ (58,353)</u>	<u>\$(126,492)</u>	<u>\$ (223,519)</u>

Parameters and Guidelines states that actual costs shall be included in each claim and that all claimed costs are to be traceable to source documents that show evidence and validity of such costs and their relationship to the mandated program.

Recommendation

We recommend that the district develop and implement procedures to ensure that it supports all costs claimed.

**FINDING 2—
Unallowable services
and supplies costs**

For FY 1999-2000, the district overstated services and supplies recorded in the PK/PI function code by \$44,089 (see Finding 4 for discussion on the PK/PI function code). The related indirect costs, based on the claimed rate, total \$2,257.

The district duplicated \$23,135 of costs and overclaimed \$8,211 as a result of a math error. In addition, the district claimed \$12,170 in direct costs for an amount that was also included in its indirect cost pool for allocation as an indirect cost item. The district also claimed \$573 for unallowable movie tickets. The movie tickets were purchased to provide

incentives for student peer leaders. Although the costs incurred were related to the AIDS Prevention Instruction Program, the costs were not necessary costs of the mandate. The district did not provide source documents to substantiate the costs of the movie tickets.

Parameters and Guidelines states that actual costs shall be included in each claim and that all claimed costs are to be traceable to source documents that show evidence and validity of such costs and their relationship to the mandated program.

Recommendation

We recommend that the district develop and implement procedures to ensure that it claims only costs eligible for reimbursement. Furthermore, we recommend the district to develop and implement procedures to ensure that it supports all claimed costs.

**FINDING 3—
Overstated indirect costs**

The district overstated the indirect costs rate for FY 2000-01. The district claimed indirect costs at a rate of 6.47%, while the CDE-approved rate was 6.43%, a variance of 0.03%. Consequently, indirect costs were overstated as follows.

	<u>Total</u>
Supported indirect costs rate	6.43%
Less claimed indirect costs rate	<u>(6.47)%</u>
Overstated indirect costs rate	(0.04)%
Claimed direct cost less unallowable costs of \$54,807 (Finding 1)	× \$253,370
Audit adjustment	<u>\$ (101)</u>

Parameters and Guidelines states that actual costs shall be included in each claim and that all claimed costs are to be traceable to source documents that show evidence and validity of such costs and their relationship to the mandated program.

Recommendation

We recommend that the district develop and implement procedures to ensure that all claimed costs are properly supported.

**FINDING 4—
Revenues and expenditures under Function Code 519(c) misstated on filed claims**

The district underclaimed costs by \$481,346 and understated revenue offsets by \$457,234 for FY 2000-01 and FY 2001-02. The related indirect costs total \$28,119.

For budgetary purposes, the district recorded program expenditures in its accounting system under two separate function codes: PK/PI for the mandate activities, and Function Code 519(c) for the United States Centers for Disease Control (CDC) grant. The district allocated and recorded program expenditures based on anticipated revenues. However, expenditures recorded under these functions did not properly reflect expenditures for a particular revenue source. Neither the expenditures nor revenues recorded under Function Code 519(c) were claimed. As a

result, the district underclaimed direct costs by \$481,346, related supported indirect costs by \$28,119, and related revenue offsets by \$457,234.

Following is a summary of adjustments.

	Fiscal Year		Total
	2000-01	2001-02	
Salaries and benefits	\$ 96,728	\$ 119,048	\$ 215,776
Services and supplies	26,132	239,438	265,570
Total	122,860	358,486	481,346
Related indirect costs	7,900	20,219	28,119
Audit adjustment-Total costs	<u>\$ 130,760</u>	<u>\$ 378,705</u>	<u>\$ 509,465</u>
Audit adjustment-Offsetting revenues	<u>\$ (228,617)</u>	<u>\$ (228,617)</u>	<u>\$ (457,234)</u>

Parameters and Guidelines states that actual costs shall be included in each claim and that reimbursement for this mandate received from any sources (e.g., federal, state, and block grants) are to be identified and deducted.

Recommendation

We recommend that the district develop and implement procedures to ensure that it identifies and claims all costs eligible for reimbursement and that it deduct related revenue reimbursements from claimed costs.

**State Controller's Office
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