

MORENO VALLEY UNIFIED SCHOOL DISTRICT

Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

November 2005



STEVE WESTLY
California State Controller

November 30, 2005

Robert Crank
Assistant Superintendent
Business Services
Moreno Valley Unified School District
25634 Alessandro Boulevard
Moreno Valley, CA 92553

Dear Mr. Crank:

The State Controller's Office audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$642,655 for the mandated program. Our audit disclosed that \$1,116 is allowable and \$641,539 is unallowable. The unallowable costs occurred because the district claimed costs that were not supported with adequate documentation. The State paid the district \$286,385. The district should return \$285,269 to the State.

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:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ams

cc: Estuardo A. Santillan, Business Manager
Moreno Valley Unified School District
David Long, Ph.D., County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was July 19, 2005.

The district claimed \$642,655 for the mandated program. Our audit disclosed that \$1,116 is allowable and \$641,539 is unallowable. The unallowable costs occurred because the district claimed costs that were not supported with adequate documentation. The State paid the district \$286,385. The district should return \$285,269 to the State.

Background

Chapter 1659, Statutes of 1984, added and amended *Education Code* Sections 35295, 35296, 35297, 40041.5, and 40042. The law requires each school district and county superintendent of schools to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the law requires that school districts allow public agencies to use school buildings, grounds, and equipment for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the Commission on State Mandates (COSM) determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on March 23, 1989 (last amended on May 29, 2003). 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 Emergency Procedures, Earthquake Procedures, and Disasters 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.

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 Moreno Valley Unified School District claimed \$642,655 for costs of the Emergency Procedures, Earthquake Procedures, and Disasters Program. Our audit disclosed that \$1,116 is allowable and \$641,539 is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$119,488. Our audit disclosed that \$112 is allowable. The district should return \$119,376 to the State.

For FY 2001-02, the State paid the district \$166,897. Our audit disclosed that \$1,004 is allowable. The district should return \$165,893 to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that all of the costs claimed are unallowable.

Views of Responsible Official

We issued a draft audit report on August 31, 2005. Estuardo Santillan, Business Manager, notified us by telephone message on October 10, 2005, that the district will not submit a response to the draft audit report. Mr. Santillan stated that the district requested input regarding the draft audit report from the district's consultant for these mandated cost claims, Reynolds Consulting Group. However, he stated that the consultant was non-responsive to the district's request.

Restricted Use

This report is solely for the information and use of the Moreno Valley 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

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 205,239	\$ 104	\$ (205,135)	Finding 1
Materials and supplies	78	—	(78)	Finding 2
Total direct costs	205,317	104	(205,213)	
Indirect costs	16,200	8	(16,192)	Findings 1, 2
Total program costs	<u>\$ 221,517</u>	112	<u>\$ (221,405)</u>	
Less amount paid by the State		(119,488)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (119,376)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 211,634	\$ 963	\$ (210,671)	Finding 1
Materials and supplies	4,029	—	(4,029)	Finding 2
Total direct costs	215,663	963	(214,700)	
Indirect costs	9,079	41	(9,038)	Findings 1, 2
Total program costs	<u>\$ 224,742</u>	1,004	<u>\$ (223,738)</u>	
Less amount paid by the State		(166,897)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (165,893)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 187,993	\$ —	\$ (187,993)	Finding 1
Materials and supplies	—	—	—	
Total direct costs	187,993	—	(187,993)	
Indirect costs	8,403	—	(8,403)	Finding 1
Total program costs	<u>\$ 196,396</u>	—	<u>\$ (196,396)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Salaries and benefits	\$ 604,866	\$ 1,067	\$ (603,799)	Finding 1
Materials and supplies	4,107	—	(4,107)	Finding 2
Total direct costs	608,973	1,067	(607,906)	
Indirect costs	33,682	49	(33,633)	Findings 1, 2
Total program costs	<u>\$ 642,655</u>	1,116	<u>\$ (641,539)</u>	
Less amount paid by the State		(286,385)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (285,269)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salary and benefit costs, and related indirect costs

The district claimed unallowable salary and benefit costs totaling \$603,799 for the audit period. The related indirect costs total \$33,457. The unallowable costs occurred because costs claimed were not supported with adequate source documentation.

For the audit period, the district claimed salary and benefit costs in two ways: by individual employee and by employee classification (such as principal, vice principal, and teacher). For costs claimed by employee classification, the district claimed multiple employees as one line item.

Updating System/Training Preparation

The district claimed salary and benefit costs totaling \$27,617 for updating the earthquake emergency system and for training preparation during the audit period. Unallowable costs totaled \$26,550. The district claimed costs by individual employee in FY 2000-01 and FY 2001-02, and by both individual employee and employee classification in FY 2002-03. The district did not provide documentation supporting \$18,941 of costs claimed. In addition, the district claimed \$4,373 that was supported only by employee declarations. District employees did not complete the declarations contemporaneously and did not identify the date on which the employee performed the mandated activities. Furthermore, the district claimed \$3,236 in costs that were not adequately documented as mandate-related.

Employee Training

The district claimed unallowable salary and benefit costs totaling \$577,249 for employee training during the audit period. The district claimed costs by individual employee in FY 2000-01 and FY 2001-02, and by employee classification in FY 2002-03. The district claimed 1.75 hours per employee for FY 2000-01 and FY 2001-02, and 2.0 hours per employee for FY 2002-03.

The district provided employee declarations signed by school representatives, which indicate that all school site employees attended 1.75 or 2.0 hours of training. Although the district claimed 2.0 hours per employee for training in FY 2002-03, all employee declarations except one identify 1.75 hours of training. The district attached school site employee rosters to the declarations to identify individual employees. The district did not provide employee declarations for all costs claimed; the remaining costs claimed were unsupported.

The employee declarations are insufficient documentation to support training hours claimed. The district provided a letter dated January 8, 2005, which was addressed to school principals from the district's consultant. Regarding training hours claimed, the letter states, in part:

We are currently gathering data that is being audit[ed] for the Emergency Procedures: Earthquake Preparedness mandate for fiscal years 2000/01, 2001/02 and 2002/03 for a State audit. Our firm had

done a study, a while back, which revealed that the sites and departments trained staff at least 1.75 (one and ¾) hours a year on earthquake preparedness. . . .

Enclosed please find a certification page for each year that needs to have the following:
 The dates of training
 Signature
 Name of site

We are required to provide these certifications to the State on 01/18/05 and would appreciate this information back before that date.

The consultant attached pre-printed certification forms to the letter. The forms identified the number of hours to be claimed and included a statement that the declaration was applicable to all site employees. Therefore, employees did not complete the certifications contemporaneously. The district did not provide any additional documentation to support the declarations submitted. In addition, the district did not provide any documentation to support the “original study” referenced in the consultant’s letter. Furthermore, *Parameters and Guidelines* does not allow districts an option to claim salary and benefit costs based on a time study.

Employee training costs claimed included costs for 231 office/clerical staff and 341 other classified staff, totaling 572 employees. The district used a different wage rate for office/clerical staff versus other classified staff. During our audit fieldwork, the district identified the 572 employees but did not identify each employee’s classification. Of these 572 employees, the district did not provide supporting documentation for 379 employees; the remaining 193 employees were supported only by employee declarations. Because the district did not identify each employee’s classification, we are unable to separately identify costs claimed that are unsupported and costs claimed that are supported only by employee declarations for these employee classifications.

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Updating system/training preparation:				
Unsupported	\$ —	\$ (2,246)	\$ (16,695)	\$ (18,941)
Supported by employee declaration	(1,935)	(1,988)	(450)	(4,373)
Not mandate-related	—	(3,236)	—	(3,236)
Subtotal	<u>(1,935)</u>	<u>(7,470)</u>	<u>(17,145)</u>	<u>(26,550)</u>
Employee training:				
Unsupported	(142,900)	(112,210)	(93,941)	(349,051)
Supported by employee declaration	(60,300)	(90,991)	(49,341)	(200,632)
Unsupported or supported by employee declaration	—	—	(27,566)	(27,566)
Subtotal	<u>(203,200)</u>	<u>(203,201)</u>	<u>(170,848)</u>	<u>(577,249)</u>
Total salary and benefit costs	(205,135)	(210,671)	(187,993)	(603,799)
Related indirect costs	(16,185)	(8,869)	(8,403)	(33,457)
Audit adjustment	<u>\$ (221,320)</u>	<u>\$ (219,540)</u>	<u>\$ (196,396)</u>	<u>\$ (637,256)</u>

Parameters and Guidelines requires the district to claim salary and benefit costs by reporting the name, job classification, and productive hourly rate of each employee who implements the reimbursable activities. Districts must describe the specific reimbursable activities performed and report the hours devoted to each reimbursable activity. For each training class claimed, districts must identify the course title, subject, purpose, date, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro rata portion may be claimed.

In addition, *Parameters and Guidelines* states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

Evidence corroborating the source documents may include [declarations]. . . . However, corroborating documents cannot be substituted for source documents.

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*.

FINDING 2— Unallowable materials and supplies

The district claimed unallowable materials and supplies costs totaling \$4,107 for the audit period. The related indirect costs total \$176.

Unallowable costs total \$78 for FY 2000-01. The district provided two employee declarations that identify “travel/supplies/printing/postage” expenses. The district provided no other documentation to validate that the costs were incurred or mandate-related.

Unallowable costs total \$4,029 for FY 2001-02. The district provided three employee declarations that identify “travel/supplies/printing/postage” expenses totaling \$128. The district also submitted a summary sheet that identifies \$3,901 of materials, supplies, and mileage costs. Of these costs, \$239 is dated outside the audit period. For the remaining costs, the district provided no other documentation to validate the costs were incurred or mandate-related.

Parameters and Guidelines states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2000-01	2001-02	
Materials and supplies costs	\$ (78)	\$ (4,029)	\$ (4,107)
Related indirect costs	(7)	(169)	(176)
Audit adjustment	<u>\$ (85)</u>	<u>\$ (4,198)</u>	<u>\$ (4,283)</u>

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*.

**State Controller's Office
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