

SAN DIEGO UNIFIED SCHOOL DISTRICT

Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 2001, through June 30, 2003



STEVE WESTLY
California State Controller

October 2004



STEVE WESTLY
California State Controller

October 15, 2004

Mr. Alan D. Bersin
Superintendent of Public Instruction
San Diego Unified School District
4100 Normal Street
San Diego, CA 92103-2682

Dear Mr. Bersin:

The State Controller's Office audited the claims filed by San Diego Unified School District for costs of the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003.

The district claimed \$1,409,854 for the mandated program. Our audit disclosed that \$206,646 is allowable and \$1,203,208 is unallowable. The unallowable costs occurred because the district claimed salaries and related benefits that were not supported with adequate documentation. The State paid the district \$583,905, which exceeds allowable costs claimed by \$377,259.

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 website at www.csm.ca.gov (Guidebook link), and 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/jj

cc: (see page 2)

cc: Arthur M. Palkowitz, Manager
Office of Resource Development
Financial Division
San Diego Unified School District
Jennifer Thompson
Legislative Financial Accountant
Mandated Cost Unit
San Diego Unified School District
Rudy Castruita, Ed.D., County Superintendent of Schools
San Diego County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Educational Consultant
School Fiscal Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance
Charles Pillsbury, School Apportionment Specialist
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by San Diego Unified School District for costs of the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003. The last day of fieldwork was July 26, 2004.

The district claimed \$1,409,854 for the mandated program. Our audit disclosed that \$206,646 is allowable and \$1,203,208 is unallowable. The unallowable costs occurred because the district claimed salaries and related benefits that were not supported with adequate documentation. The State paid the district \$583,905, which exceeds allowable costs claimed by \$377,259.

Background

Chapter 1659, Statutes of 1984, requires school district governing boards to establish earthquake emergency procedures in each school building under their jurisdiction. In addition, the legislation requires that school district governing boards 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. Furthermore, this law 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) ruled that Chapter 1659, Statutes of 1984, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

COSM adopted *Parameters and Guidelines* on March 23, 1989 (last amended on May 29, 2003), establishing the state mandate and defining criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions to assist school 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 Emergency Procedures, Earthquake Procedures, and Disasters Program for the period of July 1, 2001, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported with 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. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, the auditor 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

The 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 Finding and Recommendation section of this report.

For the audit period, San Diego Unified School District claimed \$1,409,854 for Emergency Procedures, Earthquake Procedures, and Disasters Program costs. The audit disclosed that \$206,646 is allowable and \$1,203,208 is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$583,905. The audit disclosed that \$148,053 is allowable. The district should return \$435,852 to the State.

For FY 2002-03, the State made no payment. The audit disclosed that \$58,593 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 27, 2004. Arthur Palkowitz, Manager, Office of Resource Development, responded by letter dated September 23, 2004, disagreeing with the audit results. The final audit report includes the district's response as the attachment.

Restricted Use

This report is solely for the information and use of San Diego Unified School District, the San Diego 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, 2001, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 720,739	\$ 129,739	\$ (591,000)
Materials and supplies	6,806	6,806	—
Contracted services	<u>7,000</u>	<u>7,000</u>	<u>—</u>
Total direct costs	734,545	143,545	(591,000)
Indirect costs	<u>23,065</u>	<u>4,508</u>	<u>(18,557)</u>
Total program costs	<u>\$ 757,610</u>	148,053	<u>\$ (609,557)</u>
Less amount paid by the State		<u>(583,905)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$(435,852)</u></u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 637,294	\$ 56,983	\$ (580,311)
Materials and supplies	293	293	—
Contracted services	<u>—</u>	<u>—</u>	<u>—</u>
Total direct costs	637,587	57,276	(580,311)
Indirect costs	<u>14,657</u>	<u>1,317</u>	<u>(13,340)</u>
Total program costs	<u>\$ 652,244</u>	58,593	<u>\$ (593,651)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 58,593</u></u>	
<u>Summary: July 1, 2001, through June 30, 2003</u>			
Salaries and benefits	\$ 1,358,033	\$ 186,722	\$(1,171,311)
Materials and supplies	7,099	7,099	—
Contracted services	<u>7,000</u>	<u>7,000</u>	<u>—</u>
Total direct costs	1,372,132	200,821	(1,171,311)
Indirect costs	<u>37,722</u>	<u>5,825</u>	<u>(31,897)</u>
Total program costs	<u>\$ 1,409,854</u>	206,646	<u>\$ (1,203,208)</u>
Less amount paid by the State		<u>(583,905)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$(377,259)</u></u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

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

The district claimed \$1,171,311 in unallowable salary and benefit costs for the audit period. The related indirect costs total \$32,117. The audit adjustment is for the following reasons:

1. The district claimed \$1,127,211 in unallowable salary and benefit costs for school-site staff. Various school-site employees submitted time logs identifying actual time spent on mandate-related activities. The district used these time logs to calculate the mean time per position (i.e., principal/vice principal, teacher/librarian, secretary). For each position, the district projected the mean time to total district school-site employees. However, the district's methodology is not a valid statistical analysis. The projections are based on employees who submitted time logs rather than employees randomly selected. Thus, we concluded that these employees do not represent the population and the district cannot project the data to total school-site employees. We allowed only actual time that school-site employees documented on time logs. We also reported this finding in our audit of the district's FY 1996-97 and FY 1997-98 claims.
2. The district claimed \$107,907 for 1,685 hours of training that school police provided to principals and vice principals. The district provided training sign-in sheets that supported only \$85,493 for 1,335 hours. Therefore, \$22,414 claimed is unallowable.
3. The district claimed unallowable costs totaling \$10,177 for school police officer training. The district submitted employee declarations to support costs claimed. The declarations do not identify the name and classification of employees who attended training, the training date(s), and training location(s).
4. The district overstated productive hourly rates and thus claimed unallowable costs totaling \$6,798. The district calculated productive hourly rates using budgeted salary costs. We recalculated productive hourly rates using actual year-end salary expenditure data. In addition, the district used an average productive hourly rate for teachers and librarians, and clerks and instructional aides. We calculated weighted-average productive hourly rates for teachers and librarians, and clerks and instructional aides. The weighted-average rates account for the number of employees in each classification.
5. The district claimed unallowable school-site employee training costs totaling \$4,711. Training materials show that training topics included non-earthquake-related emergencies. Training records did not identify the portion of training time applicable to mandate-related activities.

The following table summarizes the audit adjustment:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2001-02</u>	<u>2002-03</u>	
Projected school site employee costs	\$ (557,692)	\$(569,519)	\$(1,127,211)
Principal/Vice Principal training	(22,414)	—	(22,414)
Police Officer training	(5,137)	(5,040)	(10,177)
Productive hourly rates	(5,757)	(1,041)	(6,798)
School site employee training	—	(4,711)	(4,711)
Total direct costs	(591,000)	(580,311)	(1,171,311)
Indirect costs	(18,557)	(13,340)	(31,897)
Audit adjustment	<u>\$ (609,557)</u>	<u>\$ (593,651)</u>	<u>\$(1,203,208)</u>

Parameters and Guidelines states that only actual costs may be claimed. Actual costs must be traceable to and supported by source documents that show why the costs are valid, when the district incurred the costs, and how the costs relate to the reimbursable activities. Source documents are documents created at or near the same time the district incurs the actual cost. Evidence that corroborates source documents may include worksheets, system-generated cost allocation reports, purchase orders, contracts, agendas, training packets, and declarations. However, the district cannot substitute corroborating documents for source documents.

For salaries and benefits, *Parameters and Guidelines* requires the district to report each employee implementing the reimbursable activity by name, job classification, and productive hourly rate, and describe the specific activities performed and the hours devoted to each reimbursable activity. For training costs, *Parameters and Guidelines* requires districts to report each employee's name and job classification, and the training title, subject, purpose, dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro rata portion can be claimed.

Recommendation

We recommend that the district maintain adequate documentation to support costs claimed in accordance with *Parameters and Guidelines*. In addition, we recommend that the district calculate productive hourly rates based on actual rather than budgeted costs.

District's Response

There can be no question that the school site staff performed the reimbursable activities. Each school site annually reviews and prepares or updates an emergency preparedness plan. The plans are prepared or reviewed and updated each year. Thus, the district provided sufficient documentation to prove that each school site performed activities of reviewing, preparing, and updating the emergency procedures required by the mandate.

The district's method of determining the actual costs of performing the mandated is reasonable. The district performed a statistical analysis of the time logs provided by these sites in order to determine the actual

time spent by all school site personnel on the mandate. The time claimed for each employee is less than the average and median times that are supported by the statistical analyses. However, the district's documents evidence that all school sites performed the reimbursable activities. Therefore, the statistical method used by the district to determine the actual costs of performing the reimbursable activities is reasonable and not excessive.

SCO's Comment

The finding and recommendation are unchanged. The district did not directly respond to items 2 through 5 of our audit finding.

The district used an unacceptable methodology to determine the actual costs of mandated activities that school site staff performed. The district performed an analysis from actual time logs that school site staff submitted. For FY 2001-02, the district claimed mandate-related time for principals/vice principals and teachers/librarians. For FY 2002-03, the district claimed mandate-related time for principals/vice principals, teachers/librarians, secretaries, and clerks. The following table shows the number of school site employees who submitted time logs versus total school site employees for each position:

	FY 2001-02			FY 2002-03		
	Employees Submitting Time Logs	Total Employees	Percent-age	Employees Submitting Time Logs	Total Employees	Percent-age
Principals/Vice Principals	25	337	7.4%	12	333	3.6%
Teachers/ Librarians	90	6,879	1.3%	28	6,698	0.4%
Secretaries	—	—	—	3	1,119	0.3%
Clerks	—	—	—	2	1,722	0.1%

The district states that it performed a statistical analysis of the time logs submitted to determine the actual time that all school site employees spent on mandated activities. However, the analysis does not meet the requirement for a statistical analysis because the district did not randomly select the school sites or employees. In addition, except for teachers/librarians in FY 2001-02, the sample sizes are not statistically valid based on a 95% confidence level and precision rate of +/-8%. The non-random samples and insufficient sample sizes prevent the district from projecting the sample results to total school site employees. Furthermore, the district states that it claimed less than the calculated average and median times for each employee. However, since the district did not perform a valid statistical analysis, it is also not valid to compare the analysis results to actual hours that the district claimed.

For most school site staff, the district did not provide documentation to support actual time that employees spent to perform mandated activities. Therefore, the salary, benefit, and related indirect costs claimed are not allowable.

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



SAN DIEGO CITY SCHOOLS

EUGENE BRUCKER EDUCATION CENTER
4100 Normal Street, San Diego CA 92103-8363

(619) 725-7785
Fax (619) 725-7564

OFFICE OF RESOURCE DEVELOPMENT
apalkowitz@sandi.net

September 23, 2004

Jim L. Spano
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

**SUBJECT: EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND
DISASTERS PROGRAM DRAFT AUDIT REPORT, CHAPTER 1659/84**

This letter is in response to the August 2004 Draft Audit Report. The State Controller's office performed an audit of San Diego Unified's Emergency Procedures, Earthquake Procedures, and Disaster Programs claims for fiscal years 2001/2002 and 2002/2003. The District objects to *Findings 1*.

There can be no question that the school site staff performed the reimbursable activities. Each school site annually reviews and prepares or updates an emergency preparedness plan. The plans are prepared or reviewed and updated each year. Thus, the district provided sufficient documentation to prove that each school site performed activities of reviewing, preparing, and updating the emergency procedures required by the mandate.

The district's method of determining the actual costs of performing the mandated is reasonable. The district performed a statistical analysis of the time logs provided by these sites in order to determine the actual time spent by all school site personnel on the mandate. The time claimed for each employee is less than the average and median times that are supported by the statistical analyses. However, the district's documents evidence that all school sites performed the reimbursable activities. Therefore, the statistical method used by the district to determine the actual costs of performing the reimbursable activities is reasonable and not excessive.

Jim L. Spano
September 23, 2004
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Please correct the draft audit report to find that the costs claimed by the district relating to *Findings 1* are approved as claimed. If you need any further information, or would like to meet to resolve this matter, I can be reached at (619) 725-7785.

Sincerely,



Manager, Office of Resource Development

AMP/mg

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

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