

MORENO VALLEY UNIFIED SCHOOL DISTRICT

Audit Report

INTRADISTRICT ATTENDANCE PROGRAM

Chapters 161 and 915, Statutes of 1993

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

November 2005



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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 Intradistrict Attendance Program (Chapters 161 and 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$313,837 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed costs that were not supported with adequate documentation. The State paid the district \$124,968, which the district should return.

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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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Intradistrict Attendance Program (Chapters 161 and 915, Statutes of 1993) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was July 19, 2005.

The district claimed \$313,837 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed costs that were not supported with adequate documentation. The State paid the district \$124,968, which the district should return.

Background

Chapter 161, Statutes of 1993, added *Education Code* Section 35160.5(c). Chapter 204, Statutes of 1996, subsequently renumbered this code section to Section 35160.5(b). The law requires the governing board of each school district, on or before July 1, 1994, to prepare and adopt rules that establish and implement an open enrollment policy for district residents. The policy must ensure that:

1. The parent or guardian of each school-aged child who is a resident in the district may select the school the child shall attend;
2. Once an intradistrict transfer is selected, the district will ascertain the impact of the transfer upon the maintenance of appropriate racial and ethnic balances among the respective schools;
3. Intradistrict attendance in excess of school-site attendance area capacity will be determined by a random, unbiased process that prohibits pupil evaluation for enrollment based upon the pupil's academic or athletic performance; and
4. No pupil who currently resides in the attendance area of a school may be displaced by pupils transferring from outside the attendance area.

Chapter 915, Statutes of 1993, amended *Education Code* Section 35160.5, subdivision (c), to specify that the intradistrict attendance program does not apply to any school district that has only one school or schools that do not serve any of the same grade levels. The amendment also required school districts to determine school capacities within the district's jurisdiction.

On January 19, 1995, the Commission on State Mandates (COSM) determined that Chapters 161 and 915, Statutes of 1993, 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 May 24, 1995. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist 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 Intradistrict Attendance 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* 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 Moreno Valley Unified School District claimed \$313,837 for costs of the Intradistrict Attendance Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$69,605. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$55,363. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount 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	\$ 114,061	\$ —	\$ (114,061)	Finding 1
Materials and supplies	7,210	—	(7,210)	Finding 2
Total direct costs	121,271	—	(121,271)	
Indirect costs	9,568	—	(9,568)	Findings 1, 2
Total program costs	<u>\$ 130,839</u>	—	<u>\$ (130,839)</u>	
Less amount paid by the State		(69,605)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (69,605)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 102,570	\$ —	\$ (102,570)	Finding 1
Materials and supplies	8,005	—	(8,005)	Finding 2
Total direct costs	110,575	—	(110,575)	
Indirect costs	4,655	—	(4,655)	Findings 1, 2
Total program costs	<u>\$ 115,230</u>	—	<u>\$ (115,230)</u>	
Less amount paid by the State		(55,363)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (55,363)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 56,608	\$ —	\$ (56,608)	Finding 1
Materials and supplies	8,260	—	(8,260)	Finding 2
Total direct costs	64,868	—	(64,868)	
Indirect costs	2,900	—	(2,900)	Findings 1, 2
Total program costs	<u>\$ 67,768</u>	—	<u>\$ (67,768)</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	\$ 273,239	\$ —	\$ (273,239)	Finding 1
Materials and supplies	23,475	—	(23,475)	Finding 2
Total direct costs	296,714	—	(296,714)	
Indirect costs	17,123	—	(17,123)	Findings 1, 2
Total program costs	<u>\$ 313,837</u>	—	<u>\$ (313,837)</u>	
Less amount paid by the State		(124,968)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (124,968)</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 \$273,239 for the audit period. The related indirect costs total \$15,848. The unallowable costs occurred because costs claimed were either unsupported or not supported with adequate source documentation.

The district provided employee declarations to support a portion of costs claimed. However, the employee declarations are insufficient documentation to support mandate-related hours claimed. The district did not submit any documentation to support the remaining costs claimed.

We requested that the district identify its procedures for performing each of the mandate-related activities. We requested this information to determine whether it was feasible for the district to perform a current-period time study. In response to our request, the district’s consultant provided a memorandum addressed to a district employee from the consultant. The undated memorandum states:

For 2002-03 we filed an estimated claim based on the prior years information, as the district has continued to grow we felt that it would be appropriate to use the approximate same times for each of the activities as was given to us in the past.

Now we must file an actual with back-up in order to meet the state requirements, as they are in the process of auditing this claim.

The following is an outline of the time spent and staff for each activity that was used for the estimated claim filed. . . .

Please use a separate Activity Log for each employee involved in the processes mentioned above: (I have attached the activity log for you to use). . . .

The memorandum does not identify the district’s procedures for performing the mandate-related activities, as we requested. However, the memorandum confirms that the district claimed mandated costs based on estimates rather than on actual costs supported by contemporaneous documentation.

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Salary and benefit costs:				
No supporting documentation	\$ 81,794	\$ 90,206	\$ 475	\$ 172,475
Employee declarations	32,267	12,364	56,133	100,764
Total salary and benefit costs	114,061	102,570	56,608	273,239
Related indirect costs	8,999	4,318	2,531	15,848
Audit adjustment	\$ 123,060	\$ 106,888	\$ 59,139	\$ 289,087

Parameters and Guidelines states:

Claimed costs should be supported by the following information:

1. Employee Salaries and Benefits

Identify the employee(s) and their job classification, describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

Regarding supporting documentation, *Parameters and Guidelines* states:

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. Pursuant to Government Code section 17558.5, these documents must be retained by the agency submitting the claim for a period of no less than four years after the end of the calendar year in which the reimbursement claim is filed, and made available on the request of the State Controller.

Recommendation

We recommend that the district maintain actual time records which support salary and benefit costs claimed. If the district claims an average number of hours, it should support the average with a documented time study.

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

The district claimed unallowable materials and supplies costs totaling \$23,475 for the audit period. Related indirect costs total \$1,275. The unallowable costs occurred because costs claimed were either unsupported or not supported with adequate source documentation.

The district claimed \$7,210 for materials and supplies costs for FY 2000-01. The district provided no documentation to support \$5,905 of these costs. For the remaining \$1,305, the district submitted an employee declaration that identifies the expense as annual printing costs. The district provided no other documentation to validate that the costs were incurred or mandate-related.

The district claimed \$8,005 for materials and supplies costs for FY 2001-02. The district provided no documentation to support these costs.

The district claimed \$8,260 for materials and supplies costs for FY 2002-03. The district submitted an unsigned employee declaration that identifies postage costs of \$6,760 and reproduction costs of \$1,500. The district provided no other documentation to validate that the costs were incurred or mandate-related.

Parameters and Guidelines states that all costs claimed must be traceable to source documents which validate the costs. In addition, districts may claim only those materials and supplies expenditures that can be identified as a direct cost of the mandated program.

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Materials and supplies costs:				
No supporting documentation	\$ 5,905	\$ 8,005	\$ —	\$ 13,910
Inadequate supporting documentation	1,305	—	8,260	9,565
Total materials and supplies costs	7,210	8,005	8,260	23,475
Related indirect costs	569	337	369	1,275
Audit adjustment	<u>\$ 7,779</u>	<u>\$ 8,342</u>	<u>\$ 8,629</u>	<u>\$ 24,750</u>

Recommendation

We recommend that the district maintain adequate source documentation which supports materials and supplies costs claimed.

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