

BELFLOWER UNIFIED SCHOOL DISTRICT

Audit Report

PUPIL PROMOTION AND RETENTION PROGRAM

Chapter 100, Statutes of 1981; Chapter 1388, Statutes of 1982;
Chapter 498, Statutes of 1983; Chapter 1263, Statutes of 1990;
and Chapters 742 and 743, Statutes of 1998

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

May 2008



JOHN CHIANG
California State Controller

May 30, 2008

Paul Helzer, D.C. Ph.D., President
Board of Education
Bellflower Unified School District
16703 South Clark Avenue
Bellflower, CA 90706

Dear Dr. Helzer:

The State Controller's Office audited the costs claimed by the Bellflower Unified School District for the legislatively mandated Pupil Promotion and Retention Program (Chapter 100, Statutes of 1981; Chapter 1388, Statutes of 1982; Chapter 498, Statutes of 1983; Chapter 1263, Statutes of 1990; and Chapters 742 and 743, Statutes of 1998) for the period of July 1, 2002, through June 30, 2005.

The district claimed and was paid \$367,902 for the mandated program. Our audit disclosed that \$243,945 is allowable and \$123,957 is unallowable. The unallowable costs resulted primarily because the district did not apply the correct revenue offset. The State will offset \$123,957 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

Our audit also disclosed that, due to an oversight, the district understated claimed costs by \$461,523 (\$63,158 for fiscal year [FY] 2002-03, and \$398,365 for FY 2003-04). However, the district can no longer claim these costs because the statutory filing deadline has expired. Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions.

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 CSM'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, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD

Chief, Division of Audits

JVB/vb

cc: Rick Kemppainen, Superintendent
Bellflower Unified School District
Thuy Binh, Chief Business Officer
Bellflower Unified School District
Darline P. Robles, County Superintendent of Schools
Los Angeles County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal Services Division
California Department of Education
Gerry Shelton, Director
Fiscal and Administrative Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	3
Conclusion	3
Views of Responsible Officials	4
Restricted Use	4
Schedule 1—Summary of Program Costs.....	5
Findings and Recommendations	7

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Bellflower Unified School District for the legislatively mandated Pupil Promotion and Retention Program (Chapter 100, Statutes of 1981; Chapter 1388, Statutes of 1982; Chapter 498, Statutes of 1983; Chapter 1263, Statutes of 1990; and Chapters 742 and 743, Statutes of 1998) for the period of July 1, 2002, through June 30, 2005.

The district claimed and was paid \$367,902 for the mandated program. Our audit disclosed that \$243,945 is allowable and \$123,957 is unallowable. The unallowable costs resulted primarily because the district did not apply the correct revenue offset. The State will offset \$123,957 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

Background

Chapter 100, Statutes of 1981; Chapter 1388, Statutes of 1982; Chapter 498, Statutes of 1983; Chapter 1263, Statutes of 1990; and Chapters 742 and 743, Statutes of 1998 added or amended Education Code sections 37252, 37252.5 (renumbered to 37252.2 by Chapter 72, Statutes of 2000), 48070, and 48070.5. The law identifies the following activities, which are reimbursable under this mandate.

- The governing board of each district maintaining any or all of grades 7 through 12 shall offer summer school instructional programs for pupils who were assessed as not meeting the district's adopted standards of proficiency in basic skills pursuant to Education Code section 51215. The summer school programs shall also be offered to pupils enrolled in grade 12 the prior school year who were assessed as not meeting the district's adopted standards of proficiency in basic skills.
- The governing board of each district maintaining any or all of grades 2 to 9, inclusive, shall offer programs of direct, systematic, and intensive supplemental instruction to pupils enrolled in grades 2 to 9, inclusive, who have been retained pursuant to Education Code section 48070.5.
- The school district shall provide a mechanism for a parent or guardian to decline to enroll his or her child in the supplemental instruction program.
- Each school district shall seek the active involvement of parents and classroom teachers in the development and implementation of supplemental instruction programs provided pursuant to Education Code section 37252.5.
- The governing board of each school district and each county superintendent of schools shall adopt policies regarding pupil promotion and retention. (This is a one-time reimbursable activity.)

- The school district shall promote or retain any pupil only as provided in such adopted policies. (Education Code section 48070)
- The governing board of each school district and each county board of education shall, in those applicable grade levels, approve a policy regarding the promotion and retention of pupils between second grade and third grade; third grade and fourth grade; fourth and fifth grade; the end of the intermediate grades and the beginning of middle school grades, which typically occurs between sixth grade and seventh grade; and the end of the middle school grades and the beginning of high school, which typically occurs between eighth grade and ninth grade. The policy shall provide for the identification of pupils who should be retained and who are at risk of being retained in their current grade level on the criteria specified in Education Code section 48070.5.
- If a pupil is performing below the minimum standard for promotion, the pupil shall be retained in his or her current grade level, unless the pupil's regular classroom teacher determines, in writing, that retention is not the appropriate intervention for the pupil's academic deficiencies.
- If the teacher's recommendation to promote is contingent upon the pupil's participation in a summer school or interim session remediation program, the teacher shall reassess the pupil's academic performance at the end of the remediation program and reevaluate the decision to retain or promote the pupil.
- The district shall provide and discuss the teacher's evaluation with the pupil's parent or guardian and the school principal before any final determination of pupil retention or promotion.
- The district shall provide parental notification when a pupil is identified as being at risk of retention. The district shall provide a pupil's parent or guardian the opportunity to consult with the teacher or teachers responsible for the decision to promote or retain the pupil.
- The district shall provide a process for the appeal of a teacher's decision to retain or promote a pupil.
- The district shall adopt the pupil promotion and retention policy at a public meeting of the governing board of the school district. (This is a one-time reimbursable activity.)

Pursuant to Education Code sections 37252 and 37252.5, teacher time is reimbursable for the provision of summer school and other supplemental instruction, which, by its very nature, occurs outside of the normal school schedule.

On May 23, 2002, the Commission on State Mandates (CSM) determined that the above legislation imposed a reimbursable mandate under Government Code section 17561.

The parameters and guidelines for the program establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on September 25, 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 Pupil Promotion and Retention Program for the period of July 1, 2002, through June 30, 2005.

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 Bellflower Unified School District claimed and was paid \$367,902 for costs of the Pupil Promotion and Retention Program. Our audit disclosed that \$243,945 is allowable and \$123,957 is unallowable. The State will offset \$123,957 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

Our audit also disclosed that the district, due to an oversight, understated claimed costs by \$461,523 (\$63,158 for FY 2002-03, and \$398,365 for FY 2003-04). However, the district can no longer claim these costs because the statutory filing deadline has expired. Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions.

**Views of
Responsible
Official**

We issued a draft audit report on April 9, 2008. We contacted Thuy Binh, Chief Business Officer, by telephone on Friday, May 2, 2008. Ms. Binh declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of the Bellflower Unified School District, the Los Angeles 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

May 30, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
July 1, 2002, through June 30, 2003				
Direct costs:				
Salaries and benefits:				
Notification to parent or guardian	\$ 106,016	\$ —	\$ (106,016)	Finding 1
Supplemental instruction	461,384	830,875	369,491	Finding 1
Pupil reassessment	4,702	—	(4,702)	Finding 1
Subtotal, salaries and benefits	572,102	830,875	258,773	
Services and supplies:				
Supplemental instruction	3,399	22,053	18,654	Finding 2
Total direct costs	575,501	852,928	277,427	
Indirect costs	44,624	66,528	21,904	Finding 1, 2
Total direct and indirect costs	620,125	919,456	299,331	
Less offsetting savings/reimbursements	(491,076)	(727,249)	(236,173)	Finding 3
Less allowable costs that exceed costs claimed ²	—	(63,158)	(63,158)	
Total program costs	<u>\$ 129,049</u>	129,049	<u>\$ —</u>	
Less amount paid by the State		(129,049)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
July 1, 2003, through June 30, 2004				
Direct costs:				
Salaries and benefits:				
Notification to parent or guardian	\$ 687	\$ —	\$ (687)	Finding 1
Supplemental instruction	385,749	1,011,501	625,752	Finding 1
Subtotal, salaries and benefits	386,436	1,011,501	625,065	
Services and supplies:				
Supplemental instruction	—	3,628	3,628	Finding 2
Total direct costs	386,436	1,015,129	628,693	
Indirect costs	26,239	68,927	42,688	Finding 1, 2
Total direct and indirect costs	412,675	1,084,056	671,381	
Less offsetting savings/reimbursements	(297,779)	(570,795)	(273,016)	Finding 3
Less allowable costs that exceed costs claimed ²	—	(398,365)	(398,365)	
Total program costs	<u>\$ 114,896</u>	114,896	<u>\$ —</u>	
Less amount paid by the State		(114,896)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
July 1, 2004, through June 30, 2005				
Direct costs:				
Salaries and benefits:				
Notification to parent or guardian	\$ 2,522	\$ —	\$ (2,522)	Finding 1
Supplemental instruction	280,829	556,036	275,207	
Subtotal, salaries and benefits	283,351	556,036	272,685	
Services and supplies:				
Supplemental instruction	—	1,505	1,505	Finding 2
Total direct costs	283,351	557,541	274,190	
Indirect costs	16,661	32,783	16,122	Finding 1, 2
Total direct and indirect costs	300,012	590,324	290,312	
Less offsetting savings/reimbursements	(176,055)	(714,445)	(538,390)	Finding 3
Adjustment to eliminate negative balance	—	124,121	124,121	
Total program costs	<u>\$ 123,957</u>	—	<u>\$ (123,957)</u>	
Less amount paid by the State		(123,957)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (123,957)</u>		
Summary: July 1, 2002, through June 30, 2005				
Direct costs:				
Salaries and benefits:				
Notification to parent or guardian	\$ 109,225	\$ —	\$ (109,225)	
Supplemental instruction	1,127,962	2,398,412	1,270,450	
Pupil reassessment	4,702	—	(4,702)	
Subtotal, salaries and benefits	1,241,889	2,398,412	1,156,523	
Services and supplies:				
Supplemental instruction	3,399	27,186	23,787	
Total direct costs	1,245,288	2,425,598	1,180,310	
Indirect costs	87,524	168,238	80,714	
Total direct and indirect costs	1,332,812	2,593,836	1,261,024	
Less offsetting savings/reimbursements	(964,910)	(2,012,489)	(1,047,579)	
Less allowable costs that exceed costs claimed	—	(461,523)	(461,523)	
Adjustment to eliminate negative balance	—	124,121	124,121	
Total program costs	<u>\$ 367,902</u>	243,945	<u>\$ (123,957)</u>	
Less amount paid by the State		(367,902)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (123,957)</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03 and FY 2003-04.

Findings and Recommendations

FINDING 1— Understated salaries and benefits

The district understated salaries and benefits by \$1,156,523 for the audit period. The related indirect costs total \$78,660.

Unclaimed Costs

The district did not claim \$1,270,450 in reimbursable costs for supplemental instruction due to its oversight.

Unsupported Costs

The district did not provide source documents to validate \$113,927 of claimed salaries and benefits. Of this total, \$109,225 was claimed for the Director of Curriculum/Instructions and a secretary under the Notification to Parent or Guardian component. The remaining \$4,702 was claimed for an Assistant Superintendent, the Director of Curriculum/Instructions, and one Assistant Principal under the Pupil Reassessment component. The district provided us with copies of a document entitled “The Mandate Reimbursement Log” that reported total annual hours claimed by individuals. However, the total hours reported on these forms were not traceable to source documents, such as time sheets or other types of time logs.

The following table summarizes the audit adjustments for salaries, benefits and related indirect costs by reimbursable activities:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Salaries and benefits:				
Notification to parent or guardian	\$(106,016)	\$ (687)	\$ (2,522)	\$ (109,225)
Supplemental instruction	369,491	625,752	275,207	1,270,450
Pupil reassessment	(4,702)	—	—	(4,702)
Total salaries and benefits	258,773	625,065	272,685	1,156,523
Indirect costs	20,184	42,442	16,034	78,660
Audit adjustment	<u>\$ 278,957</u>	<u>\$ 667,507</u>	<u>\$ 288,719</u>	<u>\$ 1,235,183</u>

The program’s parameters and guidelines, section IV, states:

... To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual cost are those cost 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. . . .

Recommendation

We recommend that the district ensure that all costs claimed are applicable to and reimbursable under the program’s parameters and guidelines and are properly supported with source documents. In addition, we recommend that the district ensure that it allows reasonable

time for review of its claims before filing with the State and file all claim amendments before the deadline. The district should ensure that employees are properly using time-tracking logs with assigned numbers for its various mandated cost claims.

District’s Response

The district did not respond to the audit finding.

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

The district understated services and supplies by \$23,787 for the audit period. The related indirect costs total \$2,054.

The district estimated services and supplies for fiscal year (FY) 2002-03, and did not claim any amount for FY 2003-04 and FY 2004-05. However, during fieldwork the district provided actual cost documents that showed more costs than claimed.

The following table summarizes the understated services and supplies, and related indirect costs for the audit period:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Services and supplies:				
Supplemental instruction	\$ 18,654	\$ 3,628	\$ 1,505	\$ 23,787
Indirect costs	1,720	246	88	2,054
Audit adjustment	\$ 20,374	\$ 3,874	\$ 1,593	\$ 25,841

The program’s parameters and guidelines, section IV, states:

. . . To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual cost are those cost 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. . . .

Recommendation

We recommend that the district ensure that all costs claimed related to the mandate program are properly reported and supported with source documents. In addition, we recommend that the district ensure that it allows reasonable time for review of its claims before filing with the State and file all claim amendments before the deadline.

District’s Response

The district did not respond to the audit finding.

**FINDING 3—
Understated
reimbursements**

The district did not report \$1,047,579 of reimbursements for the audit period, resulting in overstated claimed costs. We found that the district reported budgeted figures on the claims rather than the actual reimbursements received from the California Department of Education (CDE) for the Pupil Promotion and Retention and Remedial Programs.

The following table summarizes the understated reimbursements:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Total CDE reimbursements:				
Pupil promotion and retention, grades 2-9	\$(488,937)	\$(174,359)	\$(233,295)	\$ (896,591)
Remedial programs, grades 7-12	(238,312)	(396,436)	(481,150)	(1,115,898)
Less claimed revenue offsets:				—
Pupil promotion and retention, grades 2-9	491,076	297,779	176,055	964,910
Remedial programs, grades 7-12	—	—	—	—
Audit adjustment	<u>\$(236,173)</u>	<u>\$(273,016)</u>	<u>\$(538,390)</u>	<u>\$(1,047,579)</u>

The program’s parameters and guidelines, section VII, states:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from this claim.

Offsetting revenue includes, but not limited to, annual budget act appropriation (Item 6110-104-0001).

Recommendation

We recommend that the district ensure that it deducts any federal and state funds related to the mandate from claimed costs. In addition, we recommend that the district ensure that it allows reasonable time for review of its claims before filing with the State and file all claim amendments before the deadline.

District’s Response

The district did not respond to the audit finding.

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

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