

# LOS ANGELES 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, 1997, through June 30, 1999, and  
July 1, 2001, through June 30, 2003*



**JOHN CHIANG**  
California State Controller

June 2007



**JOHN CHIANG**  
California State Controller

June 29, 2007

David Brewer III, Superintendent  
Los Angeles Unified School District  
333 South Beaudry Avenue, 24<sup>th</sup> Floor  
Los Angeles, CA 90017

Dear Mr. Brewer:

The State Controller's Office audited the costs claimed by Los Angeles 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, 1997, through June 30, 1999, and July 1, 2001, through June 30, 2003.

The district claimed and was paid \$46,640,080 for the mandated program. Our audit disclosed that \$1,193,139 is allowable and \$45,446,941 is unallowable. The unallowable costs occurred because the district claimed costs that were ineligible or unsupported. The State will offset \$45,446,941 from other mandated program payments due the district.

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: Betty T. Ng, Controller  
    Los Angeles Unified School District  
Maruch Atienza, Revenue Director  
    Los Angeles Unified School District  
Darline P. Robles, Ph.D., County Superintendent of Schools  
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    California Department of Education  
Jeannie Oropeza, Program Budget Manager  
    Education Systems Unit  
    Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles 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, 1997, through June 30, 1999, and July 1, 2001, through June 30, 2003. The last day of fieldwork was January 23, 2007.

The district claimed and was paid \$46,640,080 for the mandated program. Our audit disclosed that \$1,193,139 is allowable and \$45,446,941 is unallowable. The unallowable costs occurred because the district claimed costs that were ineligible or unsupported. The State will offset \$45,446,941 from other mandated program payments due the district.

## 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.
- 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, reassess the pupil's academic performance at the end of the remediation program, and reevaluate the decision to retain or promote the pupil.
- 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.
- Provide parental notification when a pupil is identified as being at risk of retention. 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.
- Provide a process for appeal of teacher's decision to retain or promote a pupil.
- 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.

*Parameters and Guidelines* establishes the state mandate and defines 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, 1997, through June 30, 1999; and July 1, 2001, 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 Los Angeles Unified School District claimed and was paid \$46,640,080 for costs of the Pupil Promotion and Retention Program. Our audit disclosed that \$1,193,139 is allowable and \$45,446,941 is unallowable.

The State paid the district \$46,460,080. Our audit disclosed that \$1,193,139 is allowable. The State will offset \$45,446,941 from other mandated program payments due the district.

## **Views of Responsible Officials**

We issued a draft audit report on May 30, 2007. Charles A. Burbridge, Chief Financial Officer, responded by letter dated June 19, 2007 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of Los Angeles 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

**Schedule 1—  
Summary of Program Costs  
July 1, 1997, through June 30, 1999,  
July 1, 2001, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<b><u>July 1, 1997, through June 30, 1998</u></b>				
Salaries and benefits	\$ 16,695,988	\$ 13,698,799	\$ (2,997,189)	Findings 2-6
Services and supplies	37,410	36,514	(896)	Finding 2
Total direct costs	16,733,398	13,735,313	(2,998,085)	
Indirect costs	731,284	600,007	(131,277)	Findings 2-6
Total direct and indirect costs	17,464,682	14,335,320	(3,129,362)	
Less other reimbursements	(13,210,183)	(13,210,183)	—	
Net amount claimed	<u>\$ 4,254,499</u>	1,125,137	<u>\$ (3,129,362)</u>	
Less amount paid by the State		(4,254,499)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,129,362)</u>		
<b><u>July 1, 1998, through June 30, 1999</u></b>				
Salaries and benefits	\$ 17,377,198	\$ 14,321,359	\$ (3,055,839)	Findings 2-6
Services and supplies	23,189	21,205	(1,984)	Finding 2
Total direct costs	17,400,387	14,342,564	(3,057,823)	
Indirect costs	729,842	601,497	(128,345)	Findings 2-6
Total direct and indirect costs	18,130,229	14,944,061	(3,186,168)	
Less other reimbursements	(14,876,059)	(14,876,059)	—	
Net amount claimed	<u>\$ 3,254,170</u>	68,002	<u>\$ (3,186,168)</u>	
Less amount paid by the State		(3,254,170)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,158,168)</u>		
<b><u>July 1, 2001, through June 30, 2002</u></b>				
Salaries and benefits	\$ 26,102,755	\$ 3,099,577	\$ (23,003,178)	Finding 1
Services and supplies	53,172	7,191	(45,981)	Finding 1
Total direct costs	26,155,927	3,106,768	(23,049,159)	
Indirect costs	1,106,757	131,422	(975,335)	Finding 1
Total direct and indirect costs	27,262,684	3,238,190	(24,024,494)	
Less other reimbursements	(13,448,554)	(3,238,190)	10,210,364	
Net amount claimed	<u>\$ 13,814,130</u>	—	<u>\$ (13,814,130)</u>	
Less amount paid by the State		(13,814,130)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (13,814,130)</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 35,405,599	\$ 2,888,159	\$ (32,517,440)	Finding 1
Services and supplies	615,010	49,068	(565,942)	Finding 1
Total direct costs	36,020,609	2,937,227	(33,083,382)	
Indirect costs	1,419,765	115,815	(1,303,950)	Finding 1
Total direct and indirect costs	37,440,374	3,053,042	(34,387,332)	
Less other reimbursements	(12,123,093)	(3,053,042)	9,070,051	
Net amount claimed	<u>\$ 25,317,281</u>	—	<u>\$ (25,317,281)</u>	
Less amount paid by the State		(25,317,281)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (25,317,281)</u>		
<u>Summary: July 1, 1997, through June 30, 1999, and July 1 2001, through June 30, 2003</u>				
Salaries and benefits	\$ 95,581,540	\$ 34,007,894	\$ (61,573,646)	
Services and supplies	728,781	113,978	(614,803)	
Total direct costs	96,310,321	34,121,872	(62,188,449)	
Indirect costs	3,987,648	1,448,741	(2,538,907)	
Total direct and indirect costs	100,297,969	35,570,613	(64,727,356)	
Less other reimbursements	(53,657,889)	(34,377,474)	19,280,415	
Net amount claimed	<u>\$ 46,640,080</u>	1,193,139	<u>\$ (45,446,941)</u>	
Less amount paid by the State		(46,640,080)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (45,446,941)</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Mandate report adjustments for FY 2001-02 and FY 2002-03**

The district overstated claimed costs by \$39,131,411 for fiscal year (FY) 2001-02 and FY 2002-03. The Commission on State Mandates' (CSM) adopted Statewide Cost Estimate (SCE) for the Pupil Promotion and Retention Program, dated January 31, 2005, stated that district representatives said that the majority of the costs included in the original mandate reports was attributed to a programmatic shift in administration's operational and oversight costs when supplemental instruction programs replaced the summer school programs in 2000. The SCE stated that the district informed the CSM that it intended to amend both returns, but exact figures were not available as they were in the process of conducting a statistical study. The SCE further stated that no amended claims had been filed as of the SCE issuance date.

We initiated the audit on May 3, 2006. At that time, we also noted no record of amended claims on file with the SCO. However, during the entrance conference, district representatives presented copies of "undated" amended claims for FY 2001-02 and FY 2002-03, with a net zero claim, which they said had been filed more than a year ago. On May 8, 2006, district representatives advised us that amended claims might not have been filed, due to an inadvertent oversight by its consultant responsible for filing the amended claims.

The district original claims and amended (undated) claims are as follows.

### Original Mandated Claims (Dated March 29, 2004)

Description	Fiscal Year		Total
	2001-02	2002-03	
Salaries and benefits	\$ 26,102,755	\$ 35,405,599	\$ 61,508,354
Related indirect costs	53,172	615,010	668,182
Total direct costs	26,155,927	36,020,609	62,176,536
Indirect costs	1,106,757	1,419,765	2,526,522
Total direct and indirect costs	27,262,684	37,440,374	64,703,058
Less other reimbursements	(13,448,554)	(12,123,093)	(25,571,647)
Total claimed amounts	<u>\$ 13,814,130</u>	<u>\$ 25,317,281</u>	<u>\$ 39,131,411</u>

### Amended Mandated Claims (Undated)

Description	Fiscal Year		Total
	2001-02	2002-03	
Salaries and benefits	\$ 3,099,577	\$ 2,888,159	\$ 5,987,736
Related indirect costs	7,191	49,068	56,259
Total direct costs	3,106,768	2,937,227	6,043,995
Indirect costs	131,422	115,815	247,237
Total direct and indirect costs	3,238,190	3,053,042	6,291,232
Less other reimbursements	(3,238,190)	(3,053,042)	(6,291,232)
Total claimed amounts	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Based on the amended claims, the district significantly reduced its costs to \$6,291,232 for both fiscal years, by excluding operational and oversight costs incurred during the transition of summer school to supplemental instruction. The adjusted costs were offset by other revenue reimbursements resulting in net zero claims for both fiscal years.

Accordingly, we did not audit the district's original filed claims or the amended (undated) claims for FY 2001-02 and FY 2002-03, since they resulted in net zero amounts. However, we included them in the audit report as an audit adjustment because it was inadvertently not filed prior to the start of the audit, and the State would have been liable for filed claimed costs if we had not initiated the audit.

*Parameters and Guidelines* states that ongoing activities for supplemental instruction programs for pupils enrolled in grades 2 through 9, inclusive, who have been retained pursuant to *Education Code* Section 48070.5 (former *Education Code* Section 37252.5, now 37252.2) are reimbursable beginning September 23, 1998. *Parameters and Guidelines* further identifies the following reimbursable activities as follows.

1. Develop supplemental instruction programs, with the involvement of parents, and classroom teachers, for pupils that have been retained pursuant to Education Code section 48070.5. An intensive remedial program in reading and written expression offered shall include instruction of reading comprehension, writing, and study skills. . . .
  - a. Development of the program includes identifying, purchasing, and distributing texts and materials. (Only the pro-rata portion used to implement this activity can be claimed).
  - b. Development of the program also includes providing reasonable notices and conducting meetings involving parents and classroom teachers in the development and implementation of supplemental instruction programs. . . .
2. Provide supplemental instruction for each pupil that has been retained pursuant to Educational Code section 48070.5. Services shall not be provided during the pupil's regular instructional day if it would result in the pupil being removed from classroom instruction in the core curriculum. . . .
3. Provide a mechanism for a parent or guardian to decline to enroll his or her child in the supplemental instruction program. . . .

### Recommendation

We recommend that the district ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

### District's Response

The district agrees with the audit finding.

**FINDING 2—  
Ineligible elementary  
pre-school to 6<sup>th</sup> grade**

The district claimed \$4,709,113 in ineligible summer/intersession instruction costs, data processing support, and material costs on behalf of Elementary Pre-School to 6<sup>th</sup> Grade for the FY 1997-98 and FY 1998-99 as follows.

	Fiscal Year		Total
	1997-98	1998-99	
Salaries and benefits	\$ (1,995,530)	\$ (2,517,561)	\$ (4,513,091)
Related indirect costs	(87,404)	(105,738)	(193,142)
Subtotal	(2,082,934)	(2,623,299)	(4,706,233)
Services and supplies	(896)	(1,984)	(2,880)
Audit adjustment	<u>\$ (2,083,830)</u>	<u>\$ (2,625,283)</u>	<u>\$ (4,709,113)</u>

*Parameters and Guidelines* states that summer school instructional programs for pupils enrolled in grades 7 through 12 who were assessed as not meeting the district’s adopted standards of proficiency in basic skills pursuant to *Education Code* Section 51215 are reimbursable for the period of July 1, 1997, through December 31, 1999. This also applies to pupils enrolled in grade 12 during the prior school year.

Recommendation

We recommend that the district ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

District’s Response

The district agrees with the audit finding.

**FINDING 3—  
Unsupported policy  
and development  
costs**

The district claimed unsupported policy and development costs of \$110,781 for FY 1997-98 and FY 1998-99 as follows.

	Fiscal Year		Total
	1997-98	1998-99	
Salaries and benefits	\$ (21,891)	\$ (84,387)	\$ (106,278)
Related indirect costs	(959)	(3,544)	(4,503)
Audit adjustment	<u>\$ (22,850)</u>	<u>\$ (87,931)</u>	<u>\$ (110,781)</u>

The district’s claimed policy and development costs were based entirely on estimates. The district’s consultant calculated the number of teachers and principals based on the list of contributors identified on the “Standard Based Policy” Acknowledgements page. This policy was developed between November 10, 1998, and February 1999. The consultant multiplied the number of teachers and principals by the number of planned meeting dates and scheduled time frame, pursuant to its schedule of Standards Based Promotion Planning Meetings.

The calculation contends that the district incurred costs on behalf of substitute teachers who replaced permanent/regular scheduled teachers. However, the district provided no documentary evidence—e.g., time logs, meeting notes, or sign-in sheets—that the planned policy meetings took place or who attended them.

The Acknowledgements page includes a list of teachers, administrators, university, parents, community members, etc., who had contributed to this policy and/or implementation of policy. The district provided no evidence that the participants identified in the Acknowledgments page were district employees.

The district did not differentiate between those who participated on policy development and those who implemented the policy. The district did not support that costs incurred after February 1999 related to policy development.

At our status meeting with the district on August 27, 2006, the district proposed an alternative approach to measure the reimbursable activity by identifying substitute teachers that had replaced regularly scheduled teachers attending policy development meetings on the dates listed in the Standards Based Promotion Planning Meetings schedule. We agreed with this proposal. On November 16, 2006, the district said that it was unable to obtain document support for its proposed alternative approach, and will accept the policy development adjustment.

*Parameters and Guidelines* states that reimbursable one-time activity includes developing policies regarding pupil promotion and retention for adoption at a public meeting by the school district governing board and county superintendent of schools. *Parameters and Guidelines* further states that this applies to districts performing the activity for the first time on or after July 1, 1997.

*Parameters and Guidelines* states that actual costs claimed 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 costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

District’s Response

The district agrees with the audit finding.

**FINDING 4—  
Unsupported data  
processing support  
services costs**

The district overstated its claim by \$170,588 for FY 1997-98 and FY 1998-99. This adjustment represents the pro-rated portion of its enrichment program (SB 813) that relates to voluntary students data processing support, who were not at risk of retention.

	Fiscal Year		Total
	1997-98	1998-99	
Salaries and benefits	\$ (88,349)	\$ (75,210)	\$ (163,559)
Related indirect costs	(3,870)	(3,159)	(7,029)
Audit adjustment	<u>\$ (92,219)</u>	<u>\$ (78,369)</u>	<u>\$ (170,588)</u>

The mandate allows reimbursement for data processing support services, and for registration and attendance recordkeeping on behalf of pupils who were assessed as not meeting the district's adopted standards of proficiency in basic skills. These pupils were at risk of retention and were recommended for summer/intersession remedial instruction. However, the district did not segregate out the portion of staff support attributed to voluntary student registration and attendance reporting.

District representatives from Beyond the Bell provided us with their 1997-98 and 1998-99 Summer/Intersession Attendance Summaries that included both remedial and voluntary attendance for elementary, middle school, and senior high. We both agreed to base audit adjustments on the percentage of voluntary student hours to total student hours for middle school and senior high to derive the portion of data processing support services attributed to voluntary student support. This methodology excludes elementary and special education. Based on the foregoing, 31% of FY 1998-99 and 29% of FY 1997-98 data processing costs were attributed to voluntary students who were not at risk of retention.

We applied the percentages against to district's total data processing support services claim, by fiscal year, net of prior audit adjustments, to derive the ineligible portion of voluntary support services costs.

*Parameters and Guidelines* states that summer school instructional programs for pupils enrolled in grades 7 through 12 who were assessed as not meeting the district's adopted standards of proficiency in basic skills pursuant to *Education Code* Section 51215 are reimbursable for the period of July 1, 1997, through December 31, 1999. This also applies to pupils enrolled in grade 12 during the prior school year. *Parameters and Guidelines* also states that reimbursable ongoing costs include providing support services for mandatory pupil instruction program during the summer.

*Parameters and Guidelines* states that actual costs claimed 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 costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

#### District's Response

The district agrees with the audit finding.

**FINDING 5—  
Unsupported various  
other instruction costs**

The district overstated its claim by \$890,431 for FY 1997-98 and FY 1998-99 as follows.

	Fiscal Year		Total
	1997-98	1998-99	
Salaries and benefits	\$ (692,338)	\$ (161,007)	\$ (853,345)
Related indirect costs	(30,324)	(6,762)	(37,086)
Audit adjustment	<u>\$ (722,662)</u>	<u>\$ (167,769)</u>	<u>\$ (890,431)</u>

The district claimed \$1,708 for FY 1998-99 of unsupported instruction costs (program code 2132) outside the traditional summer instruction period of July and August that was not reimbursable.

The district claimed \$10,913 (\$5,415 for FY 1997-98 and \$5,498 for FY 1998-99) of unsupported instruction costs, based on total hours claimed, by schools that totaled less than the minimum hour prerequisite for remedial intervention of 120 hours per traditional schools (program code 2132), and 60 hours per intersession off-track schools (program code 2398).

The district claimed \$53,359 (\$14,901 for FY 1997-98 and \$38,458 for FY 1998-99) of unsupported instruction costs, representing fractional billings by substitute teachers in excess of regular instruction hours or billings by regular/permanent teachers of 0.17 for every four hours of instruction (i.e., 4.17, 8.34, 12.51, 16.68, 20.85, 25.02 hours). We did not allow the fractional billing portion, which appears to represent preparation time. The district was unable to explain the fractional hours.

The district claimed \$284,734 (\$162,629 for FY 1997-98 and \$122,105 for FY 1998-99) of ineligible and unsupported instruction costs in excess of allowable hours in the pay period (program code 2132)—maximum of 80 hours per pay period and 120 hours per summer session for traditional schools—that was not reimbursable.

The district claimed \$28,290 for FY 1997-98 at Webster Middle School for ineligible Substitute Teacher Billings with no Regular/Permanent Teacher billings or participation and no documentary support that the school was registered and approved by the California Department of Education to participate in Remedial Summer Instruction. Webster Middle School was the only school in the district to file a claim solely for substitute teachers for FY 1997-98. It did not file a claim for FY 1998-99.

The district claimed \$511,427 for FY 1997-98 at Bethune Middle School for unsupported instruction costs.

*Parameters and Guidelines* states that summer school instructional programs for pupils enrolled in grades 7 through 12 who were assessed as not meeting the district's adopted standards of proficiency in basic skills pursuant to *Education Code* Section 51215 are reimbursable for the period of July 1, 1997, through December 31, 1999. This also applies to pupils enrolled in grade 12 during the prior school year. *Parameters and Guidelines* also states that reimbursable ongoing costs include providing instructions during the summer for pupils specified in *Education Code* Section 37252.

Recommendation

We recommend that the district ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation

District’s Response

The district agrees with the audit finding.

**FINDING 6—  
Unsupported  
instruction benefit  
costs**

The district claimed unsupported instruction benefit costs of \$434,617 for FY 1997-98 and FY 1998-99 as follows.

	Fiscal Year		Total
	1997-98	1998-99	
Benefits	\$ (199,081)	\$ (217,674)	\$ (416,755)
Related indirect costs	(8,720)	(9,142)	(17,862)
Audit adjustment	<u>\$ (207,801)</u>	<u>\$ (226,816)</u>	<u>\$ (434,617)</u>

1. The district overclaimed \$121,415 (\$54,498 for FY 1997-98 and \$66,917 for FY 1998-98) for regular/permanent teacher benefit costs, based on revised percentages determined by the district as follows.

We applied the percentages to regular/permanent teachers gross salaries claimed under object code 1103, net of prior audit adjustments.

	Fiscal Year	
	1997-98	1998-99
Revised percentages	3.94%	4.13%
Less reported percentages	(4.37)%	(4.63)%
Difference	<u>(0.43)%</u>	<u>(0.50)%</u>

2. The district overclaimed \$313,202 (\$153,303 for FY 1997-98 and \$159,899 for FY 1998-99) for substitute teacher benefit costs, based on unsupported health and medical benefits and the revised percentage determined by the district as follows.

	Fiscal Year	
	1997-98	1998-99
For day-to-day substitute (object code 1105):		
Worker’s compensation	1.99%	2.20%
SUI	0.05%	0.05%
STRS	8.25%	8.25%
Medicare	1.45%	1.45%
Lump-sum vacation and long-term illness	0.45%	0.45%
Revised percentages	12.19%	12.40%
Less reported percentages	<u>(35.04)%</u>	<u>(35.28)%</u>
Difference	<u>(22.85)%</u>	<u>(22.88)%</u>

The district also claimed health and medical benefits of \$14.72 for FY 1997-98 and \$23.68 for FY 1998-99 per day. However, the district was unable to provide any details—i.e., basis of support for

\$14.72 and \$23.68 per day—how these amounts were compiled supporting the district’s claim, and whether the district had pro-rated for other programs that the substitute teachers may have participated in that day.

We applied the percentages to substitute teachers’ gross salaries claimed under object code 1105, net of prior audit adjustments.

*Parameters and Guidelines* states that summer school instructional programs for pupils enrolled in grades 7 through 12 who were assessed as not meeting the district’s adopted standards of proficiency in basic skills pursuant to *Education Code* Section 51215 are reimbursable for the period of July 1, 1997, through December 31, 1999. This also applies to pupils enrolled in grade 12 during the prior school year. *Parameters and Guidelines* also states that reimbursable ongoing costs include providing instructions during the summer for pupils specified in *Education Code* Section 37252.

*Parameters and Guidelines* states that actual costs claimed 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 costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

#### District’s Response

The district agrees with the audit finding.

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

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**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Office of the Chief Financial Officer**

DAVID L. BREWER III  
*Superintendent of Schools*



CHARLES A. BURBRIDGE  
*Chief Financial Officer*

June 19, 2007

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

Dear Mr. Spano:

This letter is in response to your draft of the audit report for the Pupil Promotion and Retention Program dated May 30, 2007. After discussions among various District Finance staff members and its consultant, the District agrees with the State's disallowances. The District opts to have the State offset the disallowances against other mandated program payments due the District.

If you have any questions, please feel free to contact Betty Ng, Controller, at (213) 241-7889.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles A. Burbridge".

Charles A. Burbridge

c: David L. Brewer III, Superintendent  
Betty Ng  
Maruch Atienza

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

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