

VENTURA UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2004



JOHN CHIANG
California State Controller

August 2009



JOHN CHIANG
California State Controller

August 31, 2009

Mary Haffner, President
Board of Education
Ventura Unified School District
255 West Stanley Avenue
Ventura, CA 93001

Dear Ms. Haffner:

The State Controller's Office audited the costs claimed by Ventura Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$1,093,804 for the mandated program. Our audit disclosed that \$320,739 is allowable and \$773,065 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$320,739, contingent upon available appropriations.

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 the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

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/sk

cc: Andrea McNeill, Director of Budget and Finance
Ventura Unified School District
Trudy T. Arriaga, Ed.D., Superintendent
Ventura Unified School District
Stanley C. Mantooth, County Superintendent of Schools
Ventura County Office of Education
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Audit Report

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Ventura Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$1,093,804 for the mandated program. Our audit disclosed that \$320,739 is allowable and \$773,065 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$320,739, contingent upon available appropriations.

Background

Chapter 828, Statutes 1997, amended Education Code sections 60607, 60609, 60615, and 60630 and added Education Code sections 60640-60641, and 60643. Chapter 8282, Statutes 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testings that school districts must administer to pupils in the State.

The STAR program requires school districts, between March 15 and May 15 each year, to test all students in grades 2 through 11 with a nationally normed achievement test as designated by the State Board of Education. School districts administered the Stanford Achievement Test Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test—the Spanish Assessment of Basic Education, Second Edition (SABE/2)—to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the State less than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions, to assist local agencies and 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 Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2004.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 generally accepted government auditing standards. However, the district declined our request.

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, Ventura Unified School District claimed \$1,093,804 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$320,739 is allowable and \$773,065 is unallowable.

The State made no payment to the district. Our audit disclosed that \$320,739 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$320,739, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on June 11, 2009. Joseph Richards, Assistant Superintendent, Business Services, responded by letter dated July 8, 2009 (Attachment), disagreeing with Finding 1. The district did not respond to Findings 2 and 3.

Restricted Use

This report is solely for the information and use of Ventura Unified School District, the Ventura County Office of Education, the California Department of Education, the California Community Colleges Chancellor's Office, 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

August 31, 2009

**Schedule 1—
Summary of Program Costs
July 1, 1997, through June 30, 2004**

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1997, through June 30, 1998</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 1,668 | \$ 9,552 | \$ 7,884 | Finding 1 |
| Pretest and posttest coordination | 173,376 | 73,499 | (99,877) | Finding 1 |
| Test administration | 602 | 174 | (428) | Finding 1 |
| Reporting and recordkeeping | 2,317 | 7,702 | 5,385 | Finding 1 |
| Total salaries and benefits | <u>177,963</u> | <u>90,927</u> | <u>(87,036)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 40 | 40 | — | |
| Test materials, supplies, and equipment | 3,401 | 3,401 | — | |
| Reporting and recordkeeping | — | 5,202 | 5,202 | Finding 2 |
| Total materials and supplies | <u>3,441</u> | <u>8,643</u> | <u>5,202</u> | |
| Total direct costs | 181,404 | 99,570 | (81,834) | |
| Indirect costs | <u>12,571</u> | <u>6,900</u> | <u>(5,671)</u> | Findings 1, 2 |
| Total direct and indirect costs | 193,975 | 106,470 | (87,505) | |
| Less offsetting revenues/reimbursements | <u>(90,227)</u> | <u>(92,239)</u> | <u>(2,012)</u> | Finding 3 |
| Total program costs | <u>\$ 103,748</u> | 14,231 | <u>\$ (89,517)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 14,231</u> | | |
| <u>July 1, 1998, through June 30, 1999</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,681 | \$ 5,468 | \$ 2,787 | Finding 1 |
| Pretest and posttest coordination | 197,785 | 59,073 | (138,712) | Finding 1 |
| Test administration | 1,194 | 518 | (676) | Finding 1 |
| Reporting and recordkeeping | 2,860 | 5,139 | 2,279 | Finding 1 |
| Total salaries and benefits | <u>204,520</u> | <u>70,198</u> | <u>(134,322)</u> | Finding 1 |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 18 | 18 | — | |
| Test materials, supplies, and equipment | 67,815 | 67,815 | — | |
| Reporting and recordkeeping | — | 3,990 | 3,990 | Finding 2 |
| Total materials and supplies | <u>67,833</u> | <u>71,823</u> | <u>3,990</u> | |
| Total direct costs | 272,353 | 142,021 | (130,332) | |
| Indirect costs | <u>11,602</u> | <u>6,050</u> | <u>(5,552)</u> | Findings 1, 2 |
| Total direct and indirect costs | 283,955 | 148,071 | (135,884) | |
| Less offsetting revenues/reimbursements | <u>(101,419)</u> | <u>(80,319)</u> | <u>21,100</u> | Finding 3 |
| Total program costs | <u>\$ 182,536</u> | 67,752 | <u>\$ (114,784)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 67,752</u> | | |

Schedule 1 (continued)

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Audit</u> | <u>Audit Adjustment</u> | <u>Reference¹</u> |
|--|---------------------------------|--------------------------------|-----------------------------|------------------------------|
| <u>July 1, 1999, through June 30, 2000</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,501 | \$ 5,030 | \$ 2,529 | Finding 1 |
| Pretest and posttest coordination | 201,885 | 61,842 | (140,043) | Finding 1 |
| Test administration | 947 | 304 | (643) | Finding 1 |
| Reporting and recordkeeping | 3,137 | 5,435 | 2,298 | Finding 1 |
| Total salaries and benefits | <u>208,470</u> | <u>72,611</u> | <u>(135,859)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 18 | 18 | — | |
| Reporting and recordkeeping | — | 3,988 | 3,988 | Finding 2 |
| Total materials and supplies | <u>18</u> | <u>4,006</u> | <u>3,988</u> | Finding 2 |
| Total direct costs | 208,488 | 76,617 | (131,871) | |
| Indirect costs | <u>6,651</u> | <u>2,444</u> | <u>(4,207)</u> | Findings 1, 2 |
| Total direct and indirect costs | 215,139 | 79,061 | (136,078) | |
| Less offsetting revenues/reimbursements | (27,587) | (20,953) | 6,634 | Finding 3 |
| Less allowable costs that exceed costs claimed ² | <u>—</u> | <u>—</u> | <u>—</u> | |
| Total program costs | <u>\$ 187,552</u> | <u>58,108</u> | <u>\$ (129,444)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 58,108</u> | | |
| <u>July 1, 2000, through June 30, 2001</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 14,767 | \$ 7,252 | \$ (7,515) | Finding 1 |
| Pretest and posttest coordination | 214,130 | 58,547 | (155,583) | Finding 1 |
| Test administration | 3,182 | 1,727 | (1,455) | Finding 1 |
| Reporting and recordkeeping | 5,045 | 6,694 | 1,649 | Finding 1 |
| Total salaries and benefits | <u>237,124</u> | <u>74,220</u> | <u>(162,904)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 48 | 48 | — | |
| Reporting and recordkeeping | 727 | 4,307 | 3,580 | Finding 2 |
| Total materials and supplies | <u>775</u> | <u>4,355</u> | <u>3,580</u> | Finding 2 |
| Total direct costs | 237,899 | 78,575 | (159,324) | |
| Indirect costs | <u>16,249</u> | <u>5,366</u> | <u>(10,883)</u> | Findings 1, 2 |
| Total direct and indirect costs | 254,148 | 83,941 | (170,207) | |
| Less offsetting revenues/reimbursements | <u>(33,352)</u> | <u>(22,855)</u> | <u>10,497</u> | Finding 3 |
| Total program costs | <u>\$ 220,796</u> | <u>61,086</u> | <u>\$ (159,710)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 61,086</u> | | |

Schedule 1 (continued)

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Audit</u> | <u>Audit Adjustment</u> | <u>Reference¹</u> |
|--|---------------------------------|--------------------------------|-----------------------------|------------------------------|
| <u>July 1, 2001, through June 30, 2002</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,619 | \$ 6,130 | \$ 3,511 | Finding 1 |
| Pretest and posttest coordination | 222,620 | 68,080 | (154,540) | Finding 1 |
| Test administration | 946 | — | (946) | Finding 1 |
| Reporting and recordkeeping | 3,600 | 7,130 | 3,530 | Finding 1 |
| Total salaries and benefits | <u>229,785</u> | <u>81,340</u> | <u>(148,445)</u> | |
| Materials and supplies: | | | | |
| Reporting and recordkeeping | 2,135 | 6,455 | 4,320 | Finding 2 |
| Total direct costs | 231,920 | 87,795 | (144,125) | |
| Indirect costs | <u>16,745</u> | <u>6,339</u> | <u>(10,406)</u> | Findings 1, 2 |
| Total direct and indirect costs | 248,665 | 94,134 | (154,531) | |
| Less offsetting revenues/reimbursements | <u>—</u> | <u>(24,106)</u> | <u>(24,106)</u> | Finding 3 |
| Total program costs | <u>\$ 248,665</u> | 70,028 | <u>\$ (178,637)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 70,028</u> | | |
| <u>July 1, 2002, through June 30, 2003</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ — | \$ 4,245 | \$ 4,245 | Finding 1 |
| Pretest and posttest coordination | 100,087 | 43,548 | (56,539) | Finding 1 |
| Test administration | 32,000 | 8,837 | (23,163) | Finding 1 |
| Reporting and recordkeeping | 7,106 | 6,525 | (581) | Finding 1 |
| Total salaries and benefits | <u>139,193</u> | <u>63,155</u> | <u>(76,038)</u> | |
| Materials and supplies: | | | | |
| Reporting and recordkeeping | — | 4,260 | 4,260 | Finding 2 |
| Total direct costs | 139,193 | 67,415 | (71,778) | |
| Indirect costs | <u>7,725</u> | <u>3,741</u> | <u>(3,984)</u> | Findings 1, 2 |
| Total direct and indirect costs | 146,918 | 71,156 | (75,762) | |
| Less offsetting revenues/reimbursements | <u>—</u> | <u>(25,211)</u> | <u>(25,211)</u> | Finding 3 |
| Total program costs | <u>\$ 146,918</u> | 45,945 | <u>\$ (100,973)</u> | |
| Less amount paid by the State | | <u>—</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 45,945</u> | | |
| <u>July 1, 2003, through June 30, 2004</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ — | \$ 2,810 | \$ 2,810 | Finding 1 |
| Pretest and posttest coordination | 23,544 | 56,111 | 32,567 | Finding 1 |
| Test administration | 2,467 | 1,530 | (937) | Finding 1 |
| Reporting and recordkeeping | 9,947 | 9,754 | (193) | Finding 1 |
| Total direct costs | <u>35,958</u> | <u>70,205</u> | <u>34,247</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2003, through June 30, 2004 (continued)</u> | | | | |
| Materials and supplies: | | | | |
| Reporting and recordkeeping | — | 4,117 | 4,117 | Finding 2 |
| Total direct costs | 35,958 | 74,322 | 38,364 | |
| Indirect costs | 2,539 | 5,247 | 2,708 | Findings 1,2 |
| Total direct and indirect costs | 38,497 | 79,569 | 41,072 | |
| Less offsetting revenues/reimbursements | (34,908) | (22,608) | 12,300 | Finding 3 |
| Less allowable costs that exceed costs claimed ² | — | (53,372) | (53,372) | |
| Total program costs | <u>\$ 3,589</u> | 3,589 | <u>\$ —</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 3,589</u> | | |
| <u>Summary: July 1, 1997, through June 30, 2004</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 24,236 | \$ 40,487 | \$ 16,251 | |
| Pretest and posttest coordination | 1,133,427 | 420,700 | (712,727) | |
| Test administration | 41,338 | 13,090 | (28,248) | |
| Reporting and recordkeeping | 34,012 | 48,379 | 14,367 | |
| Total salaries and benefits | <u>1,233,013</u> | <u>522,656</u> | <u>(710,357)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 124 | 124 | — | |
| Test materials, supplies, and equipment | 71,216 | 71,216 | — | |
| Reporting and recordkeeping | 2,862 | 32,319 | 29,457 | |
| Total materials and supplies | <u>74,202</u> | <u>103,659</u> | <u>29,457</u> | |
| Total direct costs | 1,307,215 | 626,315 | (680,900) | |
| Indirect costs | 74,082 | 36,087 | (37,995) | |
| Total direct and indirect costs | 1,381,297 | 662,402 | (718,895) | |
| Less offsetting revenues/reimbursements | (287,493) | (288,291) | (798) | |
| Less allowable costs that exceed costs claimed ² | — | (53,372) | (53,372) | |
| Total program costs | <u>\$ 1,093,804</u> | 320,739 | <u>\$ (773,065)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 320,739</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 2003-04.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$1,233,013 in salaries and benefits for the audit period. Our audit determined that \$522,656 is allowable and \$710,357 is unallowable. The related unallowable indirect cost is \$39,736. The unallowable costs consist of the difference between unsupported costs and allowable costs developed during the audit through alternative methodologies.

The following table summarizes the unallowable salaries and benefits by reimbursable activity and related indirect costs:

| | Fiscal Year | | | | | | Total | |
|------------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|--------------------|------------------|---------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | | 2003-04 |
| <u>Salaries and benefits</u> | | | | | | | | |
| Training, policies, and procedures | \$ 7,884 | \$ 2,787 | \$ 2,529 | \$ (7,515) | \$ 3,511 | \$ 4,245 | \$ 2,810 | \$ 16,251 |
| Pretest and posttest coordination | (99,877) | (138,712) | (140,043) | (155,583) | (154,540) | (56,539) | 32,567 | (712,727) |
| Test administration | (428) | (676) | (643) | (1,455) | (946) | (23,163) | (937) | (28,248) |
| Reporting and recordkeeping | 5,385 | 2,279 | 2,298 | 1,649 | 3,530 | (581) | (193) | 14,367 |
| Total salaries and benefits | (87,036) | (134,322) | (135,859) | (162,904) | (148,445) | (76,038) | 34,247 | (710,357) |
| Indirect cost | (6,032) | (5,722) | (4,334) | (11,127) | (10,718) | (4,220) | 2,417 | (39,736) |
| Audit adjustment | <u>\$ (93,068)</u> | <u>\$ (140,044)</u> | <u>\$ (140,193)</u> | <u>\$ (174,031)</u> | <u>\$ (159,163)</u> | <u>\$ (80,258)</u> | <u>\$ 36,664</u> | <u>\$ (750,093)</u> |

The district claimed costs that were inadequately supported, i.e., the district submitted school site time records completed after the end of the district's fiscal year to support its reimbursable claims for STAR activities. The district did not provide any source documents to support and validate mandated hours reported on the time records.

For FY 1997-98 through 2001-02, the SCO auditors were given forms with the header "Standardized Testing and Reporting: Program Test Site Coordinator (January 2, 1998-2002)" to support hours claimed by district staff. The forms report estimated annual hours spent by district staff performing reimbursable activities. The forms were completed, signed, and dated in May 2002. The district did not provide source documents to support the actual employee time spent or that the work performed related to the mandated program.

For FY 2002-03, the district did not provide any documentation to support hours recorded on its mandated cost claim.

For FY 2003-04, the district provided time records to support hours recorded on its cost claim. The hours reported on the time records were validated through test site interviews and the review of a district's assessment technician time records.

The district claimed salary and benefit costs for administering the following STAR tests: (1) California Standards Tests (CST); (2) California Alternate Performance Assessment (CAPA); (3) California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and (4) Spanish Assessment of Basic Education, Second Edition (SABE/2). The

CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately identifying costs by test, except for testing administration. Consequently, district staff did not calculate the reimbursable portion based on its time records. During the audit, the district determined the percentages of the test that related to the mandate (SAT-9, CAT/6, and SABE/2) based on the California Department of Education STAR Web site.

We worked with the district to develop alternative methodologies for determining allowable salaries and benefits for FY 1997-98 through FY 2002-03 based on our review of FY 2003-04 documentation. We developed a standard time for pretest and posttest coordination and reporting and recordkeeping mandated activities at the school site. A standard time per student tested was developed based on the audited allowable hours and the number of students tested. We conducted interviews and reviewed time to support mandated STAR activities performed at the district's administrative office for training, pretest and posttest coordination, and reporting and recordkeeping. The district provided corrected productive hourly rates for staff members involved in the mandated activities, including those not listed on the claim, to determine reimbursable costs.

We developed ratios for the non-mandate portion of STAR testing costs based on the number of students tested and applied the ratios against the total amounts claimed. We determined that the non-reimbursable percentages for non-mandated costs were as follows: 28.6% for FY 1998-99, 29.4% for FY 1999-2000, 35.5% for FY 2000-01, 34.5% for FY 2001-02, 36.6 % for FY 2002-03, and 38.0% for FY 2003-04. We determined that 100% of the STAR testing costs for FY 1997-98 is reimbursable.

The parameters and guidelines (section V.A.1. and VI.A.) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. . . .

Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and that the costs are properly supported with source documents.

District's Response

While the District claimed \$1,093,804 in mandated cost reimbursement for the audit period, \$320,739 was found to be allowable, while \$773,065 was disallowed. The primary reason for the unallowable finding was "unsupported costs."

Finding 1 states that:

"The district claimed costs that were inadequately supported, i.e., the districts submitted school site time records completed after the end of the district's fiscal year to support its reimbursable claims for STAR activities."

In the background section of the audit report it clearly states:

"The CSM adopted the parameters and guidelines on January 24, 2002."

How could the District possibly have been expected to provide supporting documentation in 1997 through 2001 that meet the requirements that were subsequently established? In light of this unavoidable situation, we respectfully request that the documentation that was provided be deemed appropriate.

The District also objects to the implication in the recommendation that the costs are not properly supported. We find a benefit from working with our auditors to ensure compliance and to be able to provide supporting documentation that is adequate. Since this audit was completed at such a late date, we did not have the opportunity to improve, and thus should not be penalized.

We understand that the State is in a financial crisis, but the District expects to be reimbursed for the mandated services that were provided. Auditing away the obligation only works to the detriment of the children of Ventura Unified School District.

SCO's Comment

We reviewed the district's response to Finding 1; however, our finding remains unchanged. As cited in the audit report, the district claimed costs for FY 1997-98 through FY 2002-03 that were inadequately supported (i.e., the district submitted school site time records completed after the end of the district's fiscal year to support its reimbursable claims for STAR activities). The time records represent estimated annual hours spent by district hours performing reimbursable activities. The district did not provide source documents to support and validate mandated hours reported on the time records. In addition, the district claimed salary and benefit costs relating to CST and CAPA tests, which are not reimbursable.

We acknowledge that STAR testing occurred during the audit period. Therefore, we worked with the district to develop alternative methodologies for determining allowable salaries and benefits for FY 1997-98 through FY 2002-03. We allowed \$452,451 of the \$1,197,055 claimed for this period.

For FY 2003-04, the district maintained time records to support hours recorded on its claim. Based on our audit, we determined that \$70,205 in salaries and benefits is allowable, instead of the \$35,958 claimed. We allowed the additional costs.

Notwithstanding the State’s fiscal problems, we conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

**FINDING 2—
Underclaimed
materials and supplies**

The district claimed \$74,202 in materials and supplies for the audit period. Our audit determined that the district underclaimed by \$29,457 reporting and recordkeeping costs related to mailing student test results. We worked with the district to identify supported costs and applied the non-mandate portion using the percentages identified in Finding 1. The related indirect costs total \$1,741.

The following table summarizes the underclaimed materials and supplies and related indirect costs:

| | Fiscal Year | | | | | | | Total |
|-------------------------------------|-------------|----------|-----------|----------|----------|----------|----------|----------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | |
| Underclaimed materials and supplies | \$ 5,202 | \$ 3,990 | \$ 3,988 | \$ 3,580 | \$ 4,320 | \$ 4,260 | \$ 4,117 | \$29,457 |
| Indirect cost | 361 | 170 | 127 | 244 | 312 | 236 | 291 | 1,741 |
| Audit adjustment | \$ 5,563 | \$ 4,160 | \$ 4,115 | \$ 3,824 | \$ 4,632 | \$ 4,496 | \$ 4,408 | \$31,198 |

The parameters and guidelines (sections IV.E., V.A., and VI.A.) state:

The cost of materials and supplies used for reports (including, paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. . .

Recommendation

We recommend that the district ensure that all costs are supported by appropriate documentation and are reimbursable under the mandate.

District’s Response

The district did not respond to the finding.

**FINDING 3—
Understated offsetting
revenues/reimbursements**

The district understated offsetting revenues/reimbursements by \$798 for the audit period.

The district misstated the annual STAR apportionments it received from the California Department of Education and did not reduce the offsetting reimbursements by the non-mandated portion. As a result, the district overstated the mandate portion of STAR apportionments by \$11,637.

In addition, the district did not offset claimed costs for employees funded with restricted resources. Based on the methodology described in Finding 1, we determined that \$12,435 relates to allowable claimed costs funded with restricted resources.

The following table summarizes the overstated offsetting revenues/reimbursements related to STAR apportionments:

| | Fiscal Year | | | | | | | Total |
|--|-------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | |
| <u>Overstated STAR Program Apportionments</u> | | | | | | | | |
| CDE apportionment | \$ (90,227) | \$ (110,059) | \$ (27,587) | \$ (33,352) | \$ (34,249) | \$ (34,887) | \$ (34,688) | \$ (365,049) |
| Mandate-related percentage | × 100% | × 71.4% | × 70.6% | × 64.5% | × 65.5% | × 63.4% | × 62.0% | |
| Mandate-related apportionment | (90,227) | (78,582) | (19,476) | (21,512) | (22,433) | (22,118) | (21,507) | \$ (275,856) |
| Less claimed CDE apportionment | 90,227 | 101,419 | 27,587 | 33,352 | — | — | 34,908 | 287,493 |
| Over/(under)stated STAR program apportionments | \$ — | \$ 22,837 | \$ 8,110 | \$ 11,840 | \$ (22,433) | \$ (22,118) | \$ 13,401 | \$ 11,637 |

The following table shows the understated employee revenue/reimbursements from restricted resources:

| | Fiscal Year | | | | | | | Total |
|---|-------------|------------|------------|------------|------------|------------|------------|-------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | |
| <u>Employee Cost Funded with Restricted Resources</u> | | | | | | | | |
| Salaries and benefits funded by restricted funds | \$ (1,882) | \$ (2,334) | \$ (2,026) | \$ (1,948) | \$ (2,382) | \$ (4,622) | \$ (1,658) | \$ (16,852) |
| Indirect costs | (130) | (99) | (65) | (133) | (172) | (257) | (117) | (973) |
| Subtotal | (2,012) | (2,433) | (2,091) | (2,081) | (2,554) | (4,879) | (1,775) | \$ (17,825) |
| Reimbursable percentage | × 100% | × 71.4% | × 70.6% | × 64.5% | × 65.5% | × 63.4% | × 62.0% | |
| Audit adjustment—Unreported restricted funding | \$ (2,012) | \$ (1,737) | \$ (1,476) | \$ (1,343) | \$ (1,673) | \$ (3,093) | \$ (1,101) | \$ (12,435) |

The following table summarizes the understated offsetting revenues/reimbursements:

| | Fiscal Year | | | | | | | Total |
|--|-------------|-----------|-----------|-----------|-------------|-------------|-----------|-----------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | |
| <u>Summary of Audit Adjustment</u> | | | | | | | | |
| Over/(under)stated STAR program apportionments | \$ — | \$ 22,837 | \$ 8,110 | \$ 11,840 | \$ (22,433) | \$ (22,118) | \$ 13,401 | \$ 11,637 |
| Unreported restricted funding | (2,012) | (1,737) | (1,476) | (1,343) | (1,673) | (3,093) | (1,101) | (12,435) |
| Audit adjustment | \$ (2,012) | \$ 21,100 | \$ 6,634 | \$ 10,497 | \$ (24,106) | \$ (25,211) | \$ 12,300 | \$ (798) |

The parameters and guidelines (section VII.) state:

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 the claim.

Recommendation

We recommend that the district offset all applicable revenues against its mandated program costs.

District's Response

The district did not respond to the finding.

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

VENTURA UNIFIED SCHOOL DISTRICT

Education Service Center



255 W. Stanley Avenue, Suite 100
Ventura, California 93001-1348
(805) 641-5000 x1202
FAX (805) 653-7856

THE POINSETTIA CITY BY THE SEA

Business Services Division

July 8, 2009

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

Re: **Standardized Testing and Reporting (STAR) Program Audit,
July 1, 1997 through June 30, 2004**

Dear Mr. Spano,

In response to your letter dated June 11, 2009, attached please find the representation letter that was requested. This correspondence will serve as Ventura Unified School District's response to the final version of the audit report.

While the District claimed \$1,093,804 in mandated cost reimbursement for the audit period, \$320,739 was found to be allowable, while \$773,065 was disallowed. The primary reason for the unallowable finding was "unsupported costs."

Finding 1 states that:

"The district claimed costs that were inadequately supported, i.e., the districts submitted school site time records completed after the end of the district's fiscal year to support its reimbursable claims for STAR activities."

In the background section of the audit report it clearly states:

"The CSM adopted the parameters and guidelines on January 24, 2002."

How could the District possibly have been expected to provide supporting documentation in 1997 through 2001 that meet the requirements that were subsequently established? In light of this unavoidable situation, we respectfully request that the documentation that was provided be deemed appropriate.

The District also objects to the implication in the recommendation that the costs are not properly supported. We find a benefit from working with our auditors to ensure compliance and to be able to provide supporting documentation that is adequate. Since this audit was

Jim L. Spano, State Controller's Office
July 8, 2009
Page 2 of 2

completed at such a late date, we did not have the opportunity to improve, and thus should not be penalized.

We understand that the State is in a financial crisis, but the District expects to be reimbursed for the mandated services that were provided. Auditing away the obligation only works to the detriment of the children of Ventura Unified School District.

Please call me at (805) 641-5000 ext. 1202 if you wish to discuss this further.

Cordially,

A handwritten signature in blue ink, appearing to read "J. Richards", written over a horizontal crease in the paper.

Joseph Richards
Assistant Superintendent
Business Services

JR/rc

cc: Trudy T. Arriaga, Ed.D.
Superintendent

Andrea McNeill
Director of Budget & Finance

Enc. Representation Letter

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

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