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Controller Audit Reveals LAUSD Owes the State \$45 Million

SACRAMENTO – An audit released today by State Controller John Chiang reveals Los Angeles Unified School District (LAUSD) improperly claimed and was paid \$45 million more from the State than it was due for the mandated Pupil Promotion and Retention Program.

The Pupil Promotion and Retention mandate reimburses school districts for the costs to adopt and implement policies for elevating and retaining students between specified grade levels, and to offer additional instruction, including summer school, to certain students as part of the adopted policies.

“With a limited pool of resources available to our schools statewide, LAUSD took \$45 million more than it was entitled,” Chiang said. “The State will reclaim the payments that shouldn’t have gone out, and we’ll continue working with the district to help them clean up their process.”

The Controller’s audit covered costs claimed by LAUSD for the period of four years between July 1997 through June 1999, and July 2001 through June 2003. The district was paid \$46,640,080 for the legislatively mandated program. The Controller’s Office determined 97.4 percent of the costs were not allowed and that the district was only entitled to \$1,193,139. Pursuant to state law, the State will offset the \$45,446,941 from future LAUSD mandate payments.

In reviewing LAUSD’s claims, the Controller’s audit found the district incorrectly claimed payment for the following:

- Unallowable operational and oversight costs.
- Ineligible summer school instructional programs for pre-school to 6th grade.
- Unsupported costs for teacher salaries and policy development based entirely on estimates.
- Unsupported reimbursements for data processing and registration on behalf of pupils voluntarily registering for summer school.
- Unsupported instruction costs for substitute teacher billings, excessive hours for pay periods, and benefits.

When the Controller’s Office initiated the audit in May 2006, the district did not have amended claims on file. Records from the previous year showed LAUSD admitted they intended to file an amendment to reduce the costs, but failed to do so.

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Earlier this year, Controller Chiang launched a Web page for school districts and local governments on the State Mandated Cost Program. The site includes a summary of test claims, forms and instructions, guidelines, and resource links. The Controller's Office will also sponsor workshops and conferences to provide hands-on program guidance, and has offered assistance to LAUSD in meeting their mandate requirements.

The [report](#), including LAUSD's response, and information on the State Mandated Cost Program can be found on the Controller's Web site at www.sco.ca.gov.

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