

SWEETWATER UNION HIGH SCHOOL DISTRICT

Revised Audit Report

NATIONAL NORM-REFERENCED ACHIEVEMENT TEST PROGRAM

Chapter 828, Statutes of 1997

July 1, 2004, through June 30, 2006



JOHN CHIANG
California State Controller

February 2014



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California State Controller

February 4, 2014

Jim Cartmill, President
Board of Education
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, CA 91911-2896

Dear Mr. Cartmill:

The State Controller's Office audited the costs claimed by Sweetwater Union High School District for the legislatively mandated National Norm-Referenced Achievement Test (NRAT) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2004, through June 30, 2006.

The revised report supersedes our previous report dated January 21, 2009. We revised the final report to include allowable salaries and benefits based on documentation included with the district's incorrect reduction claim submitted to the Commission on State Mandates and to correct the reimbursable percentages related to the mandated NRAT Program.

The district claimed \$160,400 for the mandated program. Our audit found that \$53,497 is allowable and \$106,903 is unallowable because the district claimed non-mandate related costs. The State made no payments to the district. The State will pay allowable costs of \$53,497, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/kw

cc: Edward Brand, Ed.D., Superintendent of Schools
Sweetwater Union High School District
Brent Watson, Executive Director, Business Advisory Services
San Diego County Office of Education
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sweetwater Union High School District for the legislatively mandated National Norm-Referenced Achievement Test (NRAT) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2004, through June 30, 2006.

The district claimed \$160,400 for the mandated program. Our audit found that \$53,497 is allowable and \$106,903 is unallowable because the district claimed non-mandate related costs. The State made no payments to the district. The State will pay allowable costs of \$53,497, contingent upon available appropriations.

Background

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

On August 24, 2000, the Commission on State Mandates (CSM), adopted a statement of decision finding that the test claim legislation and regulations impose a new program or higher level of service within the meaning of Article XIII B, section 6 of the California Constitution, and costs mandated by the state pursuant to Government Code section 17514. This decision was limited to a national norm-referenced achievement test and foreign language test enacted by Chapter 828, Statutes of 1997.

Chapter 216, Statutes of 2004, section 34 (Senate Bill No.1108, effective August 11, 2004) and Chapter 895, Statutes of 2004, section 19 (Assembly Bill No. 2855, effective January 1, 2005) directed the CSM to reconsider the prior final decision and parameters and guidelines for the STAR program. On July 28, 2005, the CSM found, effective July 1, 2004, that administering the California Achievement Tests, Sixth Edition Survey (CAT/6) in grades 3 and 7 imposes a reimbursable state mandate on school districts within the meaning of Article XIII B, section 6 of the California Constitution, and Government Code sections 17514 and 17556. The NRAT Program requires school districts to test all students in grades 3 and 7 between March 15 and May 15. Reference to CAT/6 also applies to successor national norm-referenced achievement tests selected by the California Department of Education. The CSM found that all other activities were either federally mandated, and thus not reimbursable, or no longer required.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the NRAT parameters and guidelines on December 9, 2005. 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 NRAT Program for the period of July 1, 2004, through June 30, 2006.

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, Sweetwater Union High School District claimed \$160,400 for costs of the NRAT Program. Our audit found that \$53,497 is allowable and \$106,903 is unallowable. The State made no payments to the district.

Views of Responsible Official

We provided the district with a preliminary copy of the final audit report by email on January 9, 2014. Sharon Moreno, Accounting Technician, responded by email on January 22, 2014, agreeing with the audit findings. She also requested to withdraw the pending Incorrect Reduction Claim (IRC) with the CSM. The district should file the withdrawal letter electronically with the CSM in its E-Filing Dropbox at <http://www.csm.ca.gov/dropbox.shtml>.

Subsequent to the issuance of the final report, the district filed an IRC with the CSM that included additional supporting documentation and analysis related to salaries and benefits. Based on the documentation submitted with the IRC, we revised our previous position relating to supporting costs with contemporaneous source documentation during the audit period. As a result, we reinstated hours claimed that previously were determined to be unsupported. In updating the audit results, we also revised the mandate-related percentages of the NRAT testing costs for FY 2004-05 through FY 2005-06 based on the test results reported by the California Department of Education.

As a result of these revisions, the total audit adjustment in this revised final report decreased by \$53,216, from \$160,119 to \$106,903, primarily due to reinstated salary and benefit costs.

Restricted Use

This report is solely for the information and use of Sweetwater Union High School District, the San Diego 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

February 4, 2014

**Revised Schedule 1—
Summary of Program Costs
July 1, 2004, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2004 through June 30, 2005</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 15,468	\$ 3,123	\$ (12,345)	Finding 1
Pre-test and post-test coordination	44,365	20,258	(24,107)	Finding 1
Test administration	5,178	2,043	(3,135)	Finding 1
Reporting and recordkeeping	4,221	4,396	175	Finding 1
Total salaries and benefits	<u>69,232</u>	<u>29,820</u>	<u>(39,412)</u>	
Materials and supplies:				
Training, policies, and procedures	184	192	8	Finding 2
Test administration	6,527	6,799	272	Finding 2
Reporting and recordkeeping	2,179	2,270	91	Finding 2
Total materials and supplies	<u>8,890</u>	<u>9,261</u>	<u>371</u>	
Contract services:				
Test administration	294	306	12	Finding 2
Total contract services	<u>294</u>	<u>306</u>	<u>12</u>	
Total direct costs	78,416	39,387	(39,029)	
Indirect costs	<u>3,913</u>	<u>1,965</u>	<u>(1,948)</u>	Finding 3
Total direct and indirect costs	82,329	41,352	(40,977)	
Less offsetting reimbursements	<u>(16,272)</u>	<u>(16,272)</u>	<u>—</u>	
Total program cost	<u>\$ 66,057</u>	25,080	<u>\$ (40,977)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 25,080</u>		
<u>July 1, 2005 through June 30, 2006</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 23,451	\$ 3,986	\$ (19,465)	Finding 1
Pre-test and post-test coordination	40,339	17,293	(23,046)	Finding 1
Test administration	32,114	12,254	(19,860)	Finding 1
Reporting and recordkeeping	1,898	1,680	(218)	Finding 1
Total salaries and benefits	<u>97,802</u>	<u>35,213</u>	<u>(62,589)</u>	
Materials and supplies:				
Training, policies, and procedures	103	91	(12)	Finding 2
Pre-test and post-test coordination	4,728	4,235	(493)	Finding 2
Reporting and recordkeeping	2,386	2,591	205	Finding 2
Total materials and supplies	<u>7,217</u>	<u>6,917</u>	<u>(300)</u>	
Total direct costs	105,019	42,130	(62,889)	
Indirect costs	<u>4,988</u>	<u>1,951</u>	<u>(3,037)</u>	Finding 3
Total direct and indirect costs	110,007	44,081	(65,926)	
Less offsetting reimbursements	<u>(15,664)</u>	<u>(15,664)</u>	<u>—</u>	
Subtotal	<u>94,343</u>	<u>28,417</u>	<u>(65,926)</u>	
Total program cost	<u>\$ 94,343</u>	28,417	<u>\$ (65,926)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 28,417</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2004 through June 30, 2006</u>				
Direct costs:				
Salaries and benefits:				
Training, policies, and procedures	\$ 38,919	\$ 7,109	\$ (31,810)	
Pre-test and post-test coordination	84,704	37,551	(47,153)	
Test administration	37,292	14,297	(22,995)	
Reporting and recordkeeping	6,119	6,076	(43)	
Total salaries and benefits	<u>167,034</u>	<u>65,033</u>	<u>(102,001)</u>	
Materials and supplies:				
Training, policies, and procedures	287	283	(4)	
Pre-test and post-test coordination	4,728	4,235	(493)	
Test administration	6,527	6,799	272	
Reporting and recordkeeping	4,565	4,861	296	
Total materials and supplies	<u>16,107</u>	<u>16,178</u>	<u>71</u>	
Contract services				
Test administration	294	306	12	
Total contract services	<u>294</u>	<u>306</u>	<u>12</u>	
Total direct costs	183,435	81,517	(101,918)	
Indirect costs	<u>8,901</u>	<u>3,916</u>	<u>(4,985)</u>	
Total direct and indirect costs	192,336	85,433	(106,903)	
Less offsetting reimbursements	<u>(31,936)</u>	<u>(31,936)</u>	<u>—</u>	
Subtotal	<u>160,400</u>	<u>53,497</u>	<u>(106,903)</u>	
Total program cost	<u>\$ 160,400</u>	<u>53,497</u>	<u>\$ (106,903)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 53,497</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$167,034 in salaries and benefits for the audit period. We determined that \$65,033 is allowable and \$102,001 is unallowable. The unallowable costs occurred because the district claimed non-mandate related costs.

Reinstated Costs

In our final audit report dated January 21, 2009, we reported unsupported salaries and benefits totaling \$152,635 for the audit period. However, we reconsidered the initial finding in light of the information addressed in the district's incorrect reduction claim (IRC) filed with the Commission State Mandates (CSM).

In the initial final report, we concluded that supporting documentation provided was inadequate, because the time logs provided estimates and summarized time spent performing Standardized Testing and Reporting (STAR) activities. We did not allow any costs without contemporaneous documentation validating the hours claimed.

We reconsidered our prior finding and accepted the time documentation submitted with the claims. We calculated the allowable portion of costs based on reimbursable STAR tests administered by the district.

Revised Reimbursable Percentage

To determine revised allowable costs, we calculated what portion of the salaries and benefits was attributed to the STAR tests reimbursable under the mandate.

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2), and Apenda 3. The CST, CAPA, and SABE/2, Apenda 3 tests are not reimbursable because they were federally mandated or no longer required. The district reported multiple percentages that were calculated for various cost components. The revised percentages were calculated for each fiscal year to arrive at a consistent ratio to calculate allowable hours claimed.

To segregate reimbursable costs, we determined the percentages of the tests that related to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represented the ratio of mandated tests over all.

STAR tests administered in the district. We applied the reimbursable percentages to claimed salaries and benefits; 20% for FY 2004-05, and 17% for FY 2005-06.

This revised report increased allowable salaries and benefits by \$50,634 based on the information in the district's IRC and the application of the mandate-related percentages. The allowable salaries and benefits increased from \$14,399 to \$65,033.

The following table summarizes the revised unallowable salaries and benefits costs by fiscal year and reimbursable activities:

	Fiscal Year		Total
	2004-05	2005-06	
Salaries and benefits			
Training, policies, and procedures	\$ (12,345)	\$ (19,465)	\$ (31,810)
Pretest and post-test coordination	(24,107)	(23,046)	(47,153)
Test administration	(3,135)	(19,860)	(22,995)
Reporting and recordkeeping	175	(218)	(43)
Audit adjustments	<u>\$ (39,412)</u>	<u>\$ (62,589)</u>	<u>\$ (102,001)</u>

The parameters and guidelines (section V.A.(1)) 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.

Recommendation

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

FINDING 2— Understated materials and supplies, and contract services

The district claimed \$16,401 in costs (\$16,107 in materials and supplies, and \$294 in contract services) for the audit period. We determined that \$16,484 (\$16,178 in materials and supplies and \$306 in contract services) is allowable.

This revised report increased allowable materials and supplies costs reported in the initial final report by \$7,047 based on the information in the district's IRC and the application of the mandate-related percentages. The allowable materials and supplies increased from \$9,131 to \$16,178.

The following table summarizes the revised understated materials and supplies by fiscal year and reimbursable activities:

	Fiscal Year		Total
	2004-05	2005-06	
Materials and supplies			
Training, policies, and procedures	\$ 8	\$ (12)	\$ (4)
Pretest and post-test coordination	—	(493)	(493)
Test administration	272	—	272
Reporting and recordkeeping	91	205	296
Audit adjustments	<u>\$ 371</u>	<u>\$ (300)</u>	<u>\$ 71</u>

This revised report increased allowable contract services reported in the initial final report by \$306 for FY 2004-05 based on the information in the district's IRC and the application of the mandate-related percentages. The allowable contract services costs increased from \$0 to \$306.

The following table summarizes the revised understated contract services by fiscal year and reimbursable activities:

<u>Cost Categories</u>	<u>Fiscal Year</u> <u>2004-05</u>
Contract services:	
Test administration	\$ 12
Audit adjustment	\$ 12

The parameters and guidelines (section V.A.(2)) state:

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

The parameters and guidelines (section V.A.(3)) state:

Report the name of the contractor and services performed to implement 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 are properly supported with source documents.

FINDING 3— Misstated indirect cost

The district claimed \$8,901 in indirect costs for the audit period. Our audit determined that \$3,916 is allowable and \$4,985 is unallowable. The costs were unallowable because of the direct cost adjustments identified in Findings 1 and 2. The district also misstated indirect costs by \$51 in FY 2005-06. The misstated costs occurred because the district claimed an indirect cost rate of 4.75% instead of the CDE-approved rate of 4.63%. We recalculated allowable indirect costs using the CDE-approved rate.

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2004-05</u>	<u>2005-06</u>	
Indirect cost:			
Allowable direct costs	\$ 39,387	\$ 42,130	
Allowable indirect rate	4.99%	4.63%	
Allowable indirect costs	1,965	1,951	
Less claimed indirect costs	3,913	4,988	
Audit Adjustment	<u>\$ (1,948)</u>	<u>\$ (3,037)</u>	<u>\$ (4,985)</u>

This revised report increased allowable indirect costs by \$2,770 based on reinstated direct costs. The allowable indirect costs increased from \$1,146 to \$3,916.

The parameters and guidelines (section V.B.) state:

School districts must use the J-380 non-restrictive indirect cost rate provisionally approved by the California Department of Education.

Recommendation

We recommend that the district ensure that indirect cost rates it claims agree with CDE approved rates and that indirect costs are mandate-related and appropriately supported.

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