

ONTARIO-MONTCLAIR SCHOOL DISTRICT

Audit Report

EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM

Chapter 1659, Statutes of 1984

July 1, 2001, through June 30, 2003



JOHN CHIANG
California State Controller

January 2007



JOHN CHIANG
California State Controller

January 31, 2007

Sharon P. McGehee, Ph.D., Superintendent
Ontario-Montclair School District
950 West D Street
Ontario, CA 91762

Dear Dr. McGehee:

The State Controller's Office audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003.

The district claimed and was paid \$340,287 for the mandated program. Our audit disclosed that \$10,430 is allowable and \$329,857 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district should return \$329,857 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

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

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:ams

cc: Danielle Calise, Assistant Superintendent-Business Services
Ontario-Montclair School District
Elizabeth McNevin, Accountant
Ontario-Montclair School District
Herbert R. Fischer, Ph.D., County Superintendent of Schools
San Bernardino County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal Services Division
California Department of Education
Gerry Shelton, Director
Fiscal and Administrative Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Views of Responsible Official	2
Restricted Use	2
Schedule 1—Summary of Program Costs.....	3
Finding and Recommendation	4

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 2001, through June 30, 2003. The last day of fieldwork was October 18, 2006.

The district claimed and was paid \$340,287 for the mandated program. Our audit disclosed that \$10,430 is allowable and \$329,857 is unallowable. The unallowable costs occurred because the district claimed unsupported costs. The district should return \$329,857 to the State.

Background

Chapter 1659, Statutes of 1984, added and amended *Education Code* Sections 35295, 35296, 35297, 40041.5, and 40042. The law requires each school district and county superintendent of schools to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the law requires that school districts allow public agencies to use school buildings, grounds, and equipment for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the Commission on State Mandates (COSM) determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on March 23, 1989 (last amended on May 29, 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 Emergency Procedures, Earthquake Procedures, and Disasters Program for the period of 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 an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Ontario-Montclair School District claimed and was paid \$340,287 for costs of the Emergency Procedures, Earthquake Procedures, and Disasters Program. Our audit disclosed that \$10,430 is allowable and \$329,857 is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$161,522. Our audit disclosed that \$3,209 is allowable. The district should return \$158,313 to the State.

For FY 2002-03, the State paid the district \$178,765. Our audit disclosed that \$7,221 is allowable. The district should return \$171,544 to the State.

Views of Responsible Official

We issued a draft audit report on November 29, 2006. We contacted Elizabeth McNevin, Accountant, by telephone on December 20, 2006. Ms. McNevin declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of the Ontario-Montclair School District, the San Bernardino 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, 2001, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 152,705	\$ 2,693	\$ (150,012)
Materials and supplies	353	353	—
Total direct costs	153,058	3,046	(150,012)
Indirect costs	8,464	163	(8,301)
Total program costs	<u>\$ 161,522</u>	3,209	<u>\$ (158,313)</u>
Less amount paid by the State		<u>(161,522)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (158,313)</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 172,221	\$ 6,957	\$ (165,264)
Materials and supplies	—	—	—
Total direct costs	172,221	6,957	(165,264)
Indirect costs	6,544	264	(6,280)
Total program costs	<u>\$ 178,765</u>	7,221	<u>\$ (171,544)</u>
Less amount paid by the State		<u>(178,765)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (171,544)</u>	
<u>Summary: July 1, 2001, through June 30, 2003</u>			
Salaries and benefits	\$ 324,926	\$ 9,650	\$ (315,276)
Materials and supplies	353	353	—
Total direct costs	325,279	10,003	(315,276)
Indirect costs	15,008	427	(14,581)
Total program costs	<u>\$ 340,287</u>	10,430	<u>\$ (329,857)</u>
Less amount paid by the State		<u>(340,287)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (329,857)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Unallowable salary, benefit, and related indirect costs

The district claimed unallowable salary and benefit costs totaling \$315,276. The related indirect costs total \$14,581. The unallowable costs occurred because the district did not support costs claimed with adequate source documentation.

For fiscal year (FY) 2001-02, the district claimed salary and benefit costs by individual employee. For FY 2002-03, the district claimed these costs by employee classification (such as principal, vice principal, and teacher). For costs claimed by employee classification, the district claimed multiple employees as one line item.

Updating System/Training Preparation

The district claimed unallowable salary and benefit costs totaling \$21,670 for updating the earthquake emergency system and for training preparation. The district claimed \$2,543 that it supported only by employee certifications. District employees did not complete the certifications contemporaneously and did not identify the date on which the employee performed the mandated activities. In addition, the district did not provide any documentation to support \$19,127 of the costs claimed.

Employee Training

The district claimed unallowable salary and benefit costs totaling \$293,606 for employee training. The district claimed 2.0 hours per employee for both fiscal years.

The district's consultant provided employee certifications to support training costs claimed. The certifications were comprised of school site employee rosters signed by each school's representative; the rosters indicate that all school site employees attended 2.0 hours of training. The district's consultant requested that the district provide these employee rosters on May 12, 2005, in response to our scheduled audit.

The district did not provide employee certifications for all costs claimed; the remaining costs claimed were unsupported. On September 7, 2005, a district representative confirmed that no additional records were available.

The employee certifications are insufficient documentation to support training hours claimed. The certifications do not identify the training title, subject, purpose, and location where training was conducted. In addition, when training encompasses subjects broader than the reimbursable activities, only the pro rata portion can be claimed. District schools submitted documentation showing that training encompasses all disasters, including earthquakes, floods, bomb threats, fallen aircraft, fires, civil disturbances, chemical accidents, and violent intruders.

Parameters and Guidelines states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include . . . declarations. . . However, corroborating documents cannot be substituted for source documents.

To claim salary and benefit costs, *Parameters and Guidelines* requires districts to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

To claim training costs, *Parameters and Guidelines* requires districts to:

Report the name and job classification of each employee [attending training]. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro rata portion can be claimed. . . .

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Updating system/training preparation:			
Employee certification	\$ (2,543)	\$ —	\$ (2,543)
Unsupported	(2,007)	(17,120)	(19,127)
Total, updating system/training preparation	(4,550)	(17,120)	(21,670)
Employee training	(145,462)	(148,144)	(293,606)
Total salary and benefit costs	(150,012)	(165,264)	(315,276)
Related indirect costs	(8,301)	(6,280)	(14,581)
Audit adjustment	<u>\$ (158,313)</u>	<u>\$ (171,544)</u>	<u>\$ (329,857)</u>

Recommendation

We recommend that the district support salary and benefit costs claimed with actual time records and training records that meet the requirements of *Parameters and Guidelines*.

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

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