

ITEM 8
INCORRECT REDUCTION CLAIM

PROPOSED DECISION

Education Code Section 48260.5

Statutes 1983, Chapter 498

Notification of Truancy

Fiscal Years 2003-2004, 2004-2005, 2005-2006, and 2006-2007

10-904133-I-10 and 13-904133-I-12

Riverside Unified School District, Claimant

TABLE OF CONTENTS

Exhibit A

Incorrect Reduction Claim 10-904133-I-10, filed November 1, 2010 1

Exhibit B

Incorrect Reduction Claim 13-904133-I-12, filed November 15, 2013 111

Exhibit C

Controller's Late Comments on IRC, filed October 3, 2014..... 362

Exhibit D

Draft Proposed Decision, issued September 21, 2015..... 427

Exhibit E

Claimant's Comments on Draft Proposed Decision, filed October 9, 2015..... 477

Exhibit F

Controller's Late Comments on Draft Proposed Decision, filed October 13, 2015..... 495

Exhibit G

Supporting Documentation 516

1. Brief Written Statement for Adopted Mandate issued by the Board of Control on the Notification of Truancy test claim (SB 90-4133)
2. Parameters and Guidelines, amended 05/27/2010
3. Excerpt from Government Auditing Standards, 2003
4. Controller's Letter dated July 17, 2007 on AB 1698
5. Assembly Bill 1698 (2007), Education Committee Analysis

6. Audit Reports for the *Notification for Truancy* program
 - a. Bakersfield City School District, dated October 25, 2012
 - b. Clovis Unified School District, dated January 31, 2012
 - c. Colton Joint Unified School District, dated November 26, 2003
 - d. Compton Unified School District, dated August 6, 2003
 - e. Desert Sands Unified School District, dated April 20, 2015
 - f. East Side Union High School District, dated February 13, 2009
 - g. Elk Grove Unified School District, dated April 20, 2012
 - h. Fresno Unified School District, dated February 18, 2005
 - i. Fresno Unified School District, dated January 28, 2011
 - j. Fresno Unified School District, dated May 4, 2015
 - k. Grant Joint Union High School District, dated May 28, 2010
 - l. Grossmont Union High School District, dated November 4, 2014
 - m. Huntington Beach Union High School District, dated May 8, 2013
 - n. Kern High School District, dated November 29, 2006
 - o. Kern High School District, dated May 29, 2013
 - p. Lodi Unified School District, dated May 23, 2014
 - q. Los Angeles Unified School District, dated March 30, 2011
 - r. Moreno Valley Unified School District, dated December 22, 2004
 - s. Moreno Valley Unified School District, dated August 21, 2012
 - t. Oakland Unified School District, dated August 6, 2003
 - u. Oakland Unified School District, dated October 25, 2010
 - v. Oakland Unified School District, dated January 28, 2014
 - w. Ontario-Montclair School District, dated February 14, 2007
 - x. Riverside Unified School District, dated February 22, 2013
 - y. Riverside Unified School District, dated August 24, 2012
 - z. Riverside Unified School District, dated April 8, 2013
 - aa. Sacramento City Unified School District, dated October 25, 2012
 - bb. San Bernardino City Unified School District, dated November 30, 2005
 - cc. San Bernardino City Unified School District, dated December 28, 2011
 - dd. San Diego Unified School District, dated June 16, 2015
 - ee. San Jose Unified School District, dated April 20, 2015
 - ff. San Juan Unified School District, dated November 30, 2011

- gg. San Juan Unified School District, dated November 25, 2009
- hh. San Juan Unified School District, dated September 4, 2009
- ii. Santa Ana Unified School District, dated September 30, 2005
- jj. Santa Ana Unified School District, dated June 23, 2010
- kk. Sequoia Union High School District, dated May 23, 2012
- ll. Stockton Unified School District, dated January 19, 2007
- mm. Stockton Unified School District, dated October 24, 2012
- nn. Sweetwater Union High School District, dated October 7, 2005
- oo. Sweetwater Union High School District, dated April 11, 2012
- pp. Twin Rivers Unified School District, dated June 5, 2015
- qq. Victor Elementary School District, dated August 28, 2013
- rr. Victor Elementary School District, dated October 10, 2013

SixTen and Associates Mandate Reimbursement Services

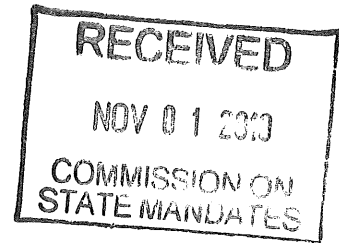
Exhibit A

KEITH B. PETERSEN, President

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October 25, 2010



Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

RE: 498/83 Notification of Truancy #2
Fiscal Years: 2003-04 through 2006-07
Incorrect Reduction Claim

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for Riverside Unified School District.

SixTen and Associates has been appointed by the District as its representative for this matter and all interested parties should direct their inquiries to me, with a copy as follows:

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations
Riverside Unified School District
6050 Industrial Avenue
Riverside, CA 92504

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith B. Petersen". The signature is fluid and cursive.

Keith B. Petersen

COMMISSION ON STATE MANDATES

1. INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy #2

This is the second incorrect reduction claim filed by the District on this mandate program

2. CLAIMANT INFORMATION

Riverside Unified School District

Michael H. Fine, Deputy Superintendent,
Business Services & Governmental Relations
6050 Industrial Avenue
Riverside, CA 92504
Voice: 951-352-6729 x82001
Fax: 951-778-5713
email: mfine@rusd.k12.ca.us

3. CLAIMANT REPRESENTATIVE INFORMATION

Claimant designates the following person to act as its sole representative in this incorrect reduction claim. All correspondence and communications regarding this claim shall be forwarded to this representative. Any change in representation must be authorized by the claimant in writing, and sent to the Commission on State Mandates.

Keith B. Petersen, President
SixTen and Associates
3270 Arena Blvd., Suite 400-363
Sacramento, CA 95834
Voice: (916) 419-7093
Fax: (916) 263-9701
E-mail: Kbpsixten@aol.com

Filing Date	RECEIVED NOV 01 2010 COMMISSION ON STATE MANDATES
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IRC #:

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Statutes of 1983, Chapter 498
Education Code Sections 48260 and 48260.5

5. AMOUNT OF INCORRECT REDUCTION

Fiscal Year	Amount of Reduction
2003-04	\$ 33,358
2004-05	\$ 38,599
2005-06	\$ 27,708
2006-07	\$226,423
TOTAL:	\$326,088

6. NOTICE OF NO INTENT TO CONSOLIDATE

This claim is **not** being filed with the intent to consolidate on behalf of other claimants.

Sections 7-14 are attached as follows:

7. Written Detailed Narrative	Pages 1 to 31
8. Controller's Payment Letters	Exhibit <u>A</u>
9. Parameters and Guidelines	Exhibit <u>B</u>
10. Controllers Claiming Instructions	Exhibit <u>C</u>
11. Controller's Final Audit Report	Exhibit <u>D</u>
12. "Statistical Sampling Revisited"	Exhibit <u>E</u>
13. Controller's Letter July 17, 2007	Exhibit <u>F</u>
14. Annual Reimbursement Claims:	Exhibit <u>G</u>

15. CLAIM CERTIFICATION

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to Government Code section 17561. This incorrect reduction claim is filed pursuant to Government Code section 17551, subdivision (d). I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief.

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations

Michael H. Fine 10/8/10
Signature Date

1 Claim Prepared by:
2 Keith B. Petersen
3 SixTen and Associates
4 3270 Arena Blvd., Suite 400-363
5 Sacramento, CA 95834
6 Voice: (916) 419-7093
7 Fax: (916) 263-9701
8 E-mail: kbpsixten@aol.com

9
10 BEFORE THE
11 COMMISSION ON STATE MANDATES
12 STATE OF CALIFORNIA

12 INCORRECT REDUCTION CLAIM OF:)
13) No. CSM _____
14)
15) Chapter 498, Statutes of 1983
16) Education Code Section 48260.5
17 **RIVERSIDE UNIFIED**)
18) **Notification of Truancy #2**
19 **School District**)
20) Annual Reimbursement Claims:
21 Claimant.)
22) Fiscal Year 2003-04
23) Fiscal Year 2004-05
24) Fiscal Year 2005-06
25) Fiscal Year 2006-07
26)

27 INCORRECT REDUCTION CLAIM FILING
28 PART I. AUTHORITY FOR THE CLAIM

29 The Commission on State Mandates has the authority pursuant to Government
30 Code Section 17551(d) to “. . . hear and decide upon a claim by a local agency or
31 school district filed on or after January 1, 1985, that the Controller has incorrectly
32 reduced payments to the local agency or school district pursuant to paragraph (2) of
33 subdivision (d) of Section 17561.” Riverside Unified School District (hereafter “District”)

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 is a school district as defined in Government Code Section 17519. Title 2, CCR,
2 Section 1185 (a), requires the claimant to file an incorrect reduction claim with the
3 Commission.

4 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),
5 requires incorrect reduction claims to be filed no later than three years following the
6 date of the Controller's remittance advice notifying the claimant of a reduction. A
7 Controller's audit report dated February 5, 2010 has been issued and constitutes a
8 demand for repayment and adjudication of the claim. On various subsequent dates in
9 2010, the Controller issued "results of review letters" reporting the audit results and
10 amounts due the state and these letters constitute a payment action. See Exhibit "A."

11 There is no alternative dispute resolution process available from the Controller's
12 office. The audit report states that an incorrect reduction claim should be filed with the
13 Commission if the claimant disagrees with the findings.

14 PART II. SUMMARY OF THE CLAIM

15 The Controller conducted a field audit of the District's annual reimbursement
16 claims for Fiscal Years 2003-04, 2004-05, 2005-06 and 2006-07, for the costs of
17 complying with the legislatively mandated program 498/83 Notification of Truancy. As a
18 result of the audit, the Controller determined that \$326,088 of the claimed costs were
19 unallowable:

20 /
21 /

Incorrect Reduction Claim of Riverside Unified School District
 498/83 Notification of Truancy #2

	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Audit Adjustment</u>	<u>SCO Payments</u>	<u>Amount Due <State> District</u>
1					
2					
3	2003-04	\$244,101	\$ 33,358	\$244,101	<\$ 33,358>
4	2004-05	\$272,234	\$ 38,599	\$272,234	<\$ 38,599>
5	2005-06	\$243,123	\$ 27,708	\$ 0	\$215,415
6	2006-07	<u>\$226,423</u>	<u>\$226,423</u>	<u>\$ 46,437</u>	<u><\$ 46,437></u>
7	Totals	\$985,881	\$326,088	\$562,772	\$ 97,021

8 The audit report states that the District was paid \$562,772 for these annual claims and
 9 concludes that the amount of \$97,021 is due to the District.

10 PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

11 The District previously filed an incorrect reduction claim for this mandate
 12 program for Fiscal Years 1999-00, 2000-01, and 2001-02 on June 14, 2006. The
 13 District filed a revised incorrect reduction claim for those fiscal years on August 26,
 14 2008, in response to a revised audit report dated December 12, 2007. The District filed
 15 a second revised incorrect reduction claim for those fiscal years on September 9, 2010,
 16 in response to a second revised audit report dated February 5, 2010. The District is not
 17 aware of any incorrect reduction claims having been adjudicated on the specific issues
 18 or subject matter raised by this incorrect reduction claim.

19 PART IV. BASIS FOR REIMBURSEMENT

20 1. Mandate Legislation

21 Chapter 498, Statutes of 1983 added Section 48260.5 to the Education Code to
 22 require school districts to notify parents or guardians of the pupil's initial classification

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 as truant:

- 2 (a) Upon a pupil's initial classification as a truant, the school district shall
3 notify the pupil's parent or guardian, by first-class mail or other reasonable
4 means, of the following:
5 (1) That the pupil is truant.
6 (2) That the parent or guardian is obligated to compel the attendance
7 of the pupil at school.
8 (3) That parents or guardians who fail to meet this obligation may be
9 guilty of an infraction and subject to prosecution pursuant to Article
10 6 (commencing with Section 48290) of Chapter 2 of Part 27.
11 (b) The district also shall inform the parents or guardians of the following:
12 (1) Alternative educational programs are available in the district.
13 (2) The right to meet with appropriate school personnel to discuss
14 solutions to the pupil's truancy.

15 The time for distribution of the initial classification of truancy is controlled by
16 Education Code Section 48260. Education Code Section 48260, as recodified by
17 Chapter 1010, Statutes of 1976, requires:

18 "Any pupil subject to compulsory full-time education or to compulsory
19 continuation education who is absent from school without valid excuse more than
20 three days or tardy in excess of 30 minutes on each of more than three days in
21 one school year is a truant and shall be reported to the attendance supervisor or
22 to the superintendent of the school district."

23 The test claim was based on this definition of a truant, that is, more than three
24 unexcused absences or tardy for more than three periods.

25 2. Test Claim

26 The State Board of Control, the predecessor body to the Commission on State
27 Mandates, with jurisdiction regarding costs mandated by the state, determined on
28 November 29, 1984, that Education Code Section 48260.5 imposed a new program or
29 an increased level of service by requiring notifications be sent to the parents or

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 guardians of pupils upon initial classification of truancy, which at the time the test claim
2 was adopted, occurred upon the fourth truancy or tardy.

3 3. Parameters and Guidelines

4 The original parameters and guidelines were adopted on August 27, 1987,
5 amended on July 28, 1988, and then amended a second time on July 22, 1993. A copy
6 of the July 22, 1993, parameters and guidelines is attached as Exhibit "B."

7 Subsequent to the adoption of the test claim and the adoption of the second
8 amended parameters and guidelines in 1993, Education Code Section 48260 was
9 amended by Chapter 1023, Statutes of 1994 and Chapter 19, Statutes of 1995, to
10 require:

11 (a) Any pupil subject to compulsory full-time education or to compulsory
12 continuation education who is absent from school without valid excuse three full
13 days in one school year or tardy or absent for more than any 30-minute period
14 during the schoolday without a valid excuse ***on three occasions in one school
15 year, or any combination thereof, is a truant and shall be reported to the
16 attendance supervisor or to the superintendent of the school district.

17 (b) Notwithstanding subdivision (a), it is the intent of the Legislature that
18 school districts shall not change the method of attendance accounting provided
19 for in existing law and shall not be required to employ period-by-period
20 attendance accounting.

21 Chapter 1023, Statutes of 1994 and Chapter 19, Statutes of 1995, also amended
22 Education Code Section 48260.5 as follows:

23 *** Upon a pupil's initial classification as a truant, the school district shall
24 notify the pupil's parent or guardian, by first-class mail or other reasonable
25 means, of the following:

26 (a) That the pupil is truant.

27 (b) That the parent or guardian is obligated to compel the attendance
28 of the pupil at school.

29 (c) That parents or guardians who fail to meet this obligation may be

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

- 1 guilty of an infraction and subject to prosecution pursuant to Article 6
2 (commencing with Section 48290) of Chapter 2 of Part 27. ***
3 ***(d) That alternative educational programs are available in the district.
4 ***(e) That the parent or guardian has the right to meet with appropriate
5 school personnel to discuss solutions to the pupil's truancy.
6 (f) That the pupil may be subject to prosecution under Section 48264.
7 (g) That the pupil may be subject to suspension, restriction, or delay of
8 the pupil's driving privilege pursuant to Section 13202.7 of the Vehicle
9 Code.
10 (h) That it is recommended that the parent or guardian accompany the
11 pupil to school and attend classes with the pupil for one day.

12 These amendments created a conflict between the Education Code and the
13 parameters and guidelines. The second amended parameters and guidelines
14 continued to require a notice of *five* elements to be issued upon the *fourth* occasion of
15 absence even though Education Code Section 48260.5 had been amended to require a
16 notice of *eight* elements to be issued upon the *third* occasion of absence. Resolution of
17 this conflict was the subject of Chapter 69, Statutes of 2007 (AB 1698), which required
18 the Commission on State Mandates to update the parameters and guidelines. On
19 January 31, 2008, the Commission adopted the third-amended parameters and
20 guidelines pursuant to Chapter 69, Statutes of 2007, effective July 1, 2006, for annual
21 claims beginning FY 2006-07.

22 4. Claiming Instructions

23 The Controller has periodically issued or revised claiming instructions for the
24 mandate program. A copy of the October 1996 revision of the claiming instructions is
25 attached as Exhibit "C." The October 1996 claiming instructions are believed to be, for
26 the purposes and scope of this incorrect reduction claim, substantially similar to the

1 version existing at the time the claims that are the subject of this incorrect reduction
2 claim were filed. However, since the Controller's claim forms and instructions have not
3 been adopted as regulations, they have no force of law and no effect on the outcome of
4 this revised incorrect reduction claim.

5 PART V. STATE CONTROLLER CLAIM ADJUDICATION

6 The Controller conducted an audit of the District's annual reimbursement claims
7 for Fiscal Years 2003-04, 2004-05, 2005-06 and 2006-07. A copy of the February 5,
8 2010, audit report is attached as Exhibit "D."

9 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

10 By letter dated November 20, 2009, the Controller transmitted a copy of its draft
11 audit report. The District objected to the proposed adjustments set forth in the draft
12 audit report by letter dated December 14, 2009. A copy of the District's response is
13 included in Exhibit "D," the final audit report. The Controller then issued the final audit
14 report without making any substantive changes.

15 PART VII. STATEMENT OF THE ISSUES

16 **Finding 1 Unsupported initial truancy notifications claimed**

17 The audit report disallows 24 of the 17,943 notifications claimed in FY 2003-04,
18 and 33 of the 19,134 notifications claimed in FY 2004-05. These amounts reduce the
19 total number of notices subject to the statistical extrapolation in Finding 2. The audit
20 report states that the "program's parameters and guidelines require the district to
21 provide documentation that supports the total number of initial notifications of truancy

1 distributed.” The audit report does not indicate in what factual or legal manner the
2 District documentation was insufficient, so it is not possible to determine if the
3 adjustment is appropriate. The audit report states only that the District’s “attendance
4 records did not support the number of initial truancy notifications claimed.” The findings
5 comprise adjustments that ostensibly result from what the Controller perceives to be
6 inadequate source documentation. The Controller does not assert that the claimed
7 costs were excessive or unreasonable, which is the only statutory mandated cost audit
8 standard (Government Code Section 17561(d)(2)). It would therefore appear that the
9 findings are based upon the wrong standard for review.

10 A. Claim Preparation Standard

11 The audit report concludes that the District did not comply with the parameters
12 and guidelines for claiming costs, but does not describe the nature of the perceived
13 documentation deficiency. The parameters and guidelines for claim preparation state:

14 VI. CLAIM PREPARATION

15 Each claim for reimbursement pursuant to Education Code Section 48260.5,
16 Chapter 498, Statutes of 1983, must be timely filed and provide documentation
17 in support of the reimbursement claimed for this mandated program.

18 A. Uniform Cost Allowance Reimbursement

19 Report the number of initial notifications of truancy distributed during the year.
20 Do not include in that count the number of notifications or other contacts which
21 may result from the initial notification to the parent or guardian.

22 The District complied with Part VI A of the parameters and guidelines by reporting the
23 number of notices distributed on the forms provided by the Controller’s claiming

1 instructions for this purpose.

2 B. Audit Documentation Standard

3 The audit report concludes that the District did not comply with the parameters
4 and guidelines as to source documentation for an audit, but did not specify in the audit
5 report why the source documentation was deficient. The parameters and guidelines
6 documentation requirements for audit are:

7 VII. SUPPORTING DATA

8 For auditing purposes, documents must be kept on file for a period of 3 years
9 from the date of final payment by the State Controller, unless otherwise specified
10 by statute and be made available at the request of the State Controller or his
11 agent.

12 A. Uniform Allowance Reimbursement

13 Documentation which indicates the total number of initial notifications of truancy
14 distributed.

15 The parameters and guidelines do not specify the form of supporting documentation
16 required. The parameters and guidelines do not require claimants to maintain a copy of
17 each notification. The parameters and guidelines do not require attendance records to
18 support the number of notifications distributed. The Controller selected the attendance
19 records as the only source of support for the number of notifications claimed for
20 purposes of the audit. This is an unenforceable policy preference of the Controller.

21 The District complied with Part VII A of the parameters and guidelines by
22 supporting the number of notices distributed with attendance records prepared in
23 compliance with state attendance reporting requirements and information prepared

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 specifically for the mandate. The attendance and truancy information was recorded on
2 a contemporaneous basis as required by the Education Code. The trancies were
3 recorded and the notices were distributed, therefore, actual costs were incurred, and
4 the Controller does not state that the work was not performed. The District provided
5 documentation generated in the ordinary course of business and the implementation of
6 the mandate and has therefore supported the claimed costs. The additional standards
7 desired by the Controller for supporting documentation are not defined in the audit
8 report, not defined in the Education Code, and not defined in the parameters and
9 guidelines. Thus, any such additional standards, whatever they might be, are not
10 supported in fact or law.

11 C. FY 2005-06 Unclaimed Notices

12 On a related matter, the District believes the 454 unclaimed notices (for Harrison
13 and Hawthorne Elementary Schools) identified in Finding 2 for FY 2005-06 should be
14 included in Finding 1 to increase the total number of claimable notifications before the
15 extrapolation of the statistical sampling findings, similar to how the FY 2003-04 and FY
16 2004-05 reductions have been treated.

17 **Finding 2 Non-reimbursable initial truancy notifications claimed**

18 The audit report concludes that the District claimed costs for non reimbursable
19 initial truancy notifications in the amount of \$98,866 for Fiscal Years 2003-04, 2004-05
20 and 2005-06. There is no adjustment in this finding for FY 2006-07 as a result of
21 Finding 3.

1 THE ISSUE OF STATISTICAL SAMPLING AND EXTRAPOLATION

2 Reimbursement for this mandate is based on the actual number of notifications
3 distributed multiplied by a uniform cost allowance for reimbursement in lieu of reporting
4 staff time and materials cost. The dollar amounts of the adjustments are the result of
5 reductions in the number of notices approved for reimbursement based upon the
6 auditor's review of a random sample of truancy notifications. The audit report states
7 that this finding is based on a statistical sample of 886 truancy notifications actually
8 examined from a universe of 52,722 notices for the three fiscal years.

9 A. Legal Basis for Reimbursement Based on Statistical Sampling

10 The essential legal issue for this finding is whether the Controller can adjust
11 claims utilizing an extrapolation of findings from an audit sample. The propriety of a
12 mandate audit adjustment based on the statistical sampling technique is a threshold
13 issue in that if the methodology used is rejected, as it should be, the extrapolation is
14 void and the audit findings can only pertain to documentation actually reviewed, that is,
15 the 886 notifications examined for the criteria of whether there were a sufficient number
16 of absences or tardies to justify the initial notification of truancy and the age of the
17 student.

18 The audit report has cited no statutory or regulatory authority to allow the
19 Controller to reduce claimed reimbursement based on extrapolation of a statistical
20 sample. Instead, the audit report states that:

21 - "Government Code section 17558.5 requires the district to file a reimbursement

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 claim for *actual* mandate-related costs.” That citation is not specific to the sampling
2 issue presented. That citation is also unavailing since the Notification of Truancy
3 mandate is reimbursed based on a unit-cost rate which is a reasonable representation
4 of actual costs incurred by districts that were included in the cost study to establish the
5 uniform cost allowance for this mandate.

6 -“Government Code section 17561, subdivision (d)(2), allows the SCO to audit
7 the district’s records to verify *actual* mandate-related costs” and that Government Code
8 Section 12410 requires the Controller to “audit all claims against the state.” The District
9 concurs that the Controller has authority to audit mandate claims, but asserts that it
10 must be done legally and logically. The District does not dispute the Controller’s
11 authority to audit claims for mandated costs and to reduce those costs that are
12 excessive or unreasonable. This authority is expressly contained in Government Code
13 Section 17561. However, Section 12410 is found in the part of the Government Code
14 that provides a general description of the duties of the Controller. It is not specific to
15 the audit of mandate reimbursement claims. The only applicable audit standard for
16 mandate reimbursement claims is found in Government Code Section 17561(d)(2).
17 The fact that Section 17561(d)(2) specifies its own audit standard (excessive or
18 unreasonable) implies that the general Controller audit standard (correctness, legality,
19 and sufficient provisions of law) does not control here. Therefore, the Controller may
20 only reduce a mandate reimbursement claim if it specifically finds that the amounts
21 claimed are unreasonable or excessive under Section 17561(d)(2). Further, the

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 Controller has not asserted or demonstrated that, if Section 12410 was the applicable
2 standard, the audit adjustments were made in accordance with this standard. The
3 District's claim was correct, in that it reported the number of notices distributed. There
4 is also no allegation in the audit report that the claim was in any way illegal. Finally, the
5 phrase "sufficient provisions of law for payment" refers to the requirement that there be
6 adequate appropriations prior to the disbursement of any funds. There is no indication
7 that any funds were disbursed without sufficient appropriations. Thus, even if the
8 standards of Section 12410 were applicable to mandate reimbursement audits, the
9 Controller has failed to put forth any evidence that these standards are not met or even
10 relevant. There is no indication that the Controller is *actually* relying on the audit
11 standards set forth in Section 12410 for the adjustments to the District's reimbursement
12 claims.

13 -"The SCO conducted its audit according to generally accepted government
14 auditing standards [GAGAS] (*Government Auditing Standards*, issued by the U.S.
15 Government Accountability Office, July 2007) [GAO]." The audit report asserts that the
16 "standards recognize statistical sampling as an acceptable method to provide sufficient,
17 appropriate evidence" but does not cite specific GAO or GAGAS language in support of
18 that assertion. The audit report does not explain how a statistical sample that provides
19 "appropriate evidence" of the scope and reliability of source documentation is therefore
20 a source of findings of actual cost or pervasive compliance with the mandate program
21 requirements. Notwithstanding, the GAO auditing guide referenced specifically pertains

1 to audits of federal funds and state mandate reimbursement does not utilize federal
2 funds. Further, the GAO audit guide has not been adopted pursuant to any state
3 agency rulemaking nor is it included as a standard in the parameters and guidelines, so
4 claimants could not be on legal notice if its requirements, assuming its requirements
5 were relevant to mandate audits, nor could the District have actual notice of the GAO
6 guide published in 2007 at the time the annual claims were filed.

7 There is no provision to allow claimants to claim costs based on sampling and
8 extrapolation, or for the Controller to audit or make findings in the same manner. There
9 is no published audit manual for mandate reimbursement or the audit of mandate
10 claims in general, or any published audit program for this mandate program which
11 allows this method of audit or allows adjustment of amounts claimed in this manner.
12 Adjustment of the claimed costs based on an extrapolation from a statistical sample is
13 utilizing a standard of general application without the benefit of compliance with the
14 Administrative Procedure Act. Thus, the application of the method is prohibited by the
15 Government Code.

16 B. Utility of the Sampling Methodology

17 A statistically valid sample methodology is a recognized audit tool for some
18 purposes. See Exhibit "E" ("Statistical Sampling Revisited"). The sampling process
19 was misapplied here. The purpose of sampling is to determine the results of
20 transactions or whether procedures were properly applied to the reported transactions.
21 In the case of reimbursement for this mandate, the state reimburses a specific dollar

1 amount for each transaction, that is, a notice sent to parents, so that outcome is not
2 being tested. What the Controller purports to be testing is whether the notices are
3 reimbursable based on the number of prerequisite absences or content of the notice,
4 which is testing for procedural compliance.

5 Instead, the auditor was actually conducting a review for documentation rather
6 than mandate compliance. Testing for procedural compliance usually involves
7 establishing tolerance parameters, but in the case of this audit, the tolerance factor was
8 zero, that is, based on the auditor's perception of adequate documentation, which is a
9 separate issue. Testing to detect the rate of error within tolerances is the purpose of
10 sampling, but it is not a tool to assign an exact dollar amount to the amount of the error,
11 which the Controller has inappropriately done so here. This is a failure of auditor
12 judgment both in the purpose of the sampling and the use of the findings.

13 C. Sample Risk

14 The ultimate risk from extrapolating findings from a sample is that the
15 conclusions obtained from the sample may not be representative of the universe. That
16 is, the errors perceived from the sample do not occur at the same rate in the universe.
17 That is what has occurred in this audit. For example, kindergarten students present in
18 the sample are more likely to be excluded because of the under-age issue, which
19 makes these samples nonrepresentative of the universe. Also, if any of the notices
20 excluded for being under-age or over-age are for students who are special education
21 students, these samples would also not be representative of the universe since the

Incorrect Reduction Claim of Riverside Unified School District
 498/83 Notification of Truancy #2

possibility of a special education student being under-age or over-age is greater than the entire student body. The audit report states that the District “provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.” This misses the point entirely. The District does not assert that the incidence of kindergarten students or special education students is either proportionate or disproportionate, rather that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age than other students sampled, and thus not representative.

D. Sample Error

<u>Elementary Schools</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>Total</u>
Audited notifications claimed	9,214	9,395	7,562*	26,171
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.61%	1.58%	1.94%	1.69%

Audit Results:

Alleged “noncompliant” notices	36	40	38	114
Percentage “noncompliant”	24.32%	27.03%	25.85%	25.73%

Secondary Schools

Audited notifications claimed	8,705	9,706	8,083	26,494
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.70%	1.52%	1.82%	1.67%

Audit Results:

Alleged “noncompliant” notices	3	2	3	8
Percentage “noncompliant”	2.03%	1.35%	2.04%	1.81%

*Net of unsupported truancies identified in Finding 1. The population of elementary schools sampled for FY 2005-06 totaled 8,016 (7,562 claimed and 454 unclaimed).

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 In addition to the qualitative concerns discussed, quantitative extrapolation of the
2 sample to the universe depends on a statistically valid sample methodology.
3 Extrapolation does not ascertain actual cost. It ascertains probable costs within an
4 interval. The sampling technique used by the Controller is quantitatively non-
5 representative. For the three fiscal years, the Controller determined that there were
6 52,665 notices distributed by the District. The total sample size for all three years was
7 886 notices, or about 295 notices per year. Less than two percent of the total number of
8 notices were audited (1.68%). The stated precision rate was plus or minus 8%, even
9 though the sample size is essentially identical for all three fiscal years (either 296 or 294
10 samples), and even though the audited number of notices claimed in FY 2004-05 (19,101)
11 is 22% larger than the size of FY 2005-06 (15,645). The expected error rate is stated to
12 be 50%, which means the total amount adjusted of \$98,866 is really just a number exactly
13 between \$49,433 (50%) and \$148,299 (150%). The midrange of an interval cannot be
14 used as a finding of absolute actual cost.

15 The Controller does not assert that the claimed costs were excessive or
16 unreasonable, which is the only mandated cost audit standard in statute (Government
17 Code Section 17561(d)(2)). The cost to be reimbursed by the state for each notice is
18 stipulated by the parameters and guidelines. It would therefore appear that the entire
19 findings are based upon the wrong standard for review. If the Controller wishes to enforce
20 other audit standards for mandated cost reimbursement, the Controller should comply with
21 the Administrative Procedure Act.

Incorrect Reduction Claim of Riverside Unified School District
 498/83 Notification of Truancy #2

1 THE ISSUES OF COMPLIANCE WITH THE MANDATE

2 Since the statistical sampling performed by the auditor fails for legal, qualitative,
 3 and quantitative reasons, the remaining audit findings are limited to the 886 notices
 4 actually investigated. The Controller cannot disallow costs for noncompliance for notices
 5 which were never audited.

6 The audit report disallows 122 of the 886 notifications evaluated for three reasons:

7	<u>REASON FOR DISALLOWANCE</u>	<u>2003-04</u>	<u>2005-06</u>	<u>2005-06</u>	<u>Total</u>
8	<u>Elementary Schools (Daily Attendance)</u>				
9	Underage (less than 6 years)	15	15	27	57
10	Insufficient documentation	0	0	0	0
11	Less than 4 Absences	<u>21</u>	<u>25</u>	<u>11</u>	<u>57</u>
12	Total Disallowed	36	40	38	114
13	Sample Size	148	148	147	
14	Percentage Disallowance	24.32%	27.03%	25.85%	
15	<u>Secondary Schools (Period Attendance)</u>				
16	Overage (18 years plus)	2	2	2	6
17	Insufficient documentation	1	0	0	1
18	Less than 4 Absences	—	—	<u>1</u>	<u>1</u>
19	Total Disallowed	3	2	3	8
20	Sample Size	148	148	148	
21	Percentage Disallowance	2.03%	1.35%	2.04%	

22 E. Insufficient Documentation

23 The audit report disallows one of the notices in the audit sample for secondary
 24 schools for lack of supporting documentation. This criterion was not discussed in the

1 audit report for this finding. This is a documentation issue and the District response on
2 documentation standards is located in our response to Finding 1 above.

3 F. Age of Student

4 The audit report disallows 57 notices in the audit sample for the elementary school
5 for students that were less than six years of age and disallows six notices in the audit
6 sample for secondary schools for students that were older than eighteen years of age,
7 citing the compulsory attendance law, Education Code Section 48200.¹ Section 48200
8 and Section 48400² establish the legal *requirement* for attendance for persons of the ages

¹ Education Code Section 48200, as last amended by Chapter 1452, Statutes of 1987 requires:

Each person between the ages of 6 and 18 years not exempted under the provisions of this chapter or Chapter 3 (commencing with Section 48400) is subject to compulsory full-time education. Each person subject to compulsory full-time education and each person subject to compulsory continuation education not exempted under the provisions of Chapter 3 (commencing with Section 48400) shall attend the public full-time day school or continuation school or classes and for the full time designated as the length of the schoolday by the governing board of the school district in which the residency of either the parent or legal guardian is located and each parent, guardian, or other person having control or charge of the pupil shall send the pupil to the public full-time day school or continuation school or classes and for the full time designated as the length of the schoolday by the governing board of the school district in which the residence of either the parent or legal guardian is located.

Unless otherwise provided for in this code, a pupil shall not be enrolled for less than the minimum schoolday established by law.

² Education Code Section 48400, as last reenacted by Chapter 1010, Statutes of 1976 states:

All persons 16 years of age or older and under 18 years of age, not otherwise exempted by this chapter, shall attend upon special continuation education classes maintained by the governing board of the high school district in which they reside, or by the governing board of a neighboring high school district, for not less than four 60-

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 6 through 18 years of age, and an offense enforceable against parents who fail to send
2 their children to school. However, younger persons have the statutory entitlement to
3 attend kindergarten pursuant to Section 48000³, and first-grade pursuant to Section

minute hours per week for the regularly established annual school term. Such minimum attendance requirement of four 60-minute hours per week may be satisfied by any combination of attendance upon special continuation education classes and regional occupational centers or programs.

³ Education Code Section 48000, as last amended by Chapter 381, Statutes of 1991 states:

(a) A child shall be admitted to a kindergarten at the beginning of a school year, or at any later time in the same year if the child will have his or her fifth birthday on or before December 2 of that school year. A child who will have his or her fifth birthday on or before December 2 may be admitted to the prekindergarten summer program maintained by the school district for pupils who will be enrolling in kindergarten in September.

(b) The governing board of any school district maintaining one or more kindergartens may, on a case-by-case basis, admit to a kindergarten a child having attained the age of five years at any time during the school year with the approval of the parent or guardian, subject to the following conditions:

(1) The governing board determines that the admittance is in the best interests of the child.

(2) The parent or guardian is given information regarding the advantages and disadvantages and any other explanatory information about the effect of this early admittance.

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 48010⁴ and Section 48011⁵, that cannot be denied by a school district. In addition, special
2 education students are statutorily entitled to educational services from ages 3 to 22 years
3 pursuant to Section 56026.⁶

⁴ Education Code Section 48010, as last amended by Chapter 1256, Statutes of 1989 states

A child shall be admitted to the first grade of an elementary school during the first month of a school year if the child will have his or her sixth birthday on or before December 2nd of that school year. For good cause, the governing board of a school district may permit a child of proper age to be admitted to a class after the first school month of the school term.

⁵ Education Code Section 48011, as last amended by Chapter 221, Statutes of 1991 states:

A child who, consistent with Section 48000, has been admitted to the kindergarten maintained by a private or a public school in California or any other state, and who has completed one school year therein, shall be admitted to the first grade of an elementary school unless the parent or guardian of the child and the school district agree that the child may continue in kindergarten for not more than an additional school year.

A child who has been lawfully admitted to a public school kindergarten or a private school kindergarten in California and who is judged by the administration of the school district, in accordance with rules and regulations adopted by the State Board of Education, to be ready for first-grade work may be admitted to the first grade at the discretion of the school administration of the district and with the consent of the child's parent or guardian if the child is at least five years of age. When a child has been legally enrolled in a public school of another district within or out of the state, he or she may be admitted to school and placed in the grade of enrollment in the district of former attendance, at the discretion of the school administration of the district entered.

⁶ Education Code Section 56026, added in 1980 and as last amended by Chapter 56, Statutes of 2007 states:

"Individuals with exceptional needs" means those persons who satisfy all the following:

- (a) Identified by an individualized education program team as a child with a disability, as that phrase is defined in Section 1401(3) (A) of Title 20 of the

United States Code.

- (b) Their impairment, as described by subdivision (a), requires instruction and services which cannot be provided with modification of the regular school program in order to ensure that the individual is provided a free appropriate public education pursuant to Section 1401(9) of Title 20 of the United States Code.
- (c) Come within one of the following age categories:
- (1) Younger than three years of age and identified by the local educational agency as requiring intensive special education and services, as defined by the board.
 - (2) Between the ages of three to five years, inclusive, and identified by the local educational agency pursuant to Section 56441.11.
 - (3) Between the ages of five and 18 years, inclusive.
 - (4) Between the ages of 19 and 21 years, inclusive; enrolled in or eligible for a program under this part or other special education program prior to his or her 19th birthday; and has not yet completed his or her prescribed course of study or who has not met proficiency standards or has not graduated from high school with a regular high school diploma.
 - (A) Any person who becomes 22 years of age during the months of January to June, inclusive, while participating in a program under this part may continue his or her participation in the program for the remainder of the current fiscal year, including any extended school year program for individuals with exceptional needs established pursuant to Section 3043 of Title 5 of the California Code of Regulations and Section 300.106 of Title 34 of the Code of Federal Regulations.
 - (B) Any person otherwise eligible to participate in a program under this part shall not be allowed to begin a new fiscal year in a program if he or she becomes 22 years of age in July, August, or September of that new fiscal year. However, if a person is in a year-round school program and is completing his or her individualized education program in a term that extends into the new fiscal year, then the person may complete that term.
 - (C) Any person who becomes 22 years of age during the months of October, November, or December while participating in a program under this act shall be terminated from the program on December 31 of the current fiscal year, unless the person would otherwise complete his or her individualized education program at the end of the current fiscal year. (D) No local educational agency may develop an individualized education program that extends these

1 The District is required by Section 46000⁷ to record and keep attendance and
2 report absences of *all students* according to the regulations of the State Board of
3 Education for purposes of apportionment and general compliance with the compulsory
4 education law (Title 5, CCR, Section 400⁸, et seq.). The initial notification of truancy is a
5 product of the attendance accounting process and promotes compliance of the
6 compulsory education law and *every pupil's* duty to attend school regularly (Title 5, CCR,

eligibility dates, and in no event may a pupil be required or allowed to attend school under the provisions of this part beyond these eligibility dates solely on the basis that the individual has not met his or her goals or objectives.

- (d) Meet eligibility criteria set forth in regulations adopted by the board, including, but not limited to, those adopted pursuant to Article 2.5 (commencing with Section 56333) of Chapter 4.
- (e) Unless disabled within the meaning of subdivisions (a) to (d), inclusive, pupils whose educational needs are due primarily to limited English proficiency; a lack of instruction in reading or mathematics; temporary physical disabilities; social maladjustment; or environmental, cultural, or economic factors are not individuals with exceptional needs.

⁷ Education Code Section 46000, as reenacted by Chapter 1010, Statutes of 1976 states:

Attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education, subject to the provisions of this chapter.

⁸ Title 5, California Code of Regulations, Section 400, states:

Records of attendance of every pupil in the public schools shall be kept for the following purposes:

- (A) For apportionment of State funds.
- (B) To insure general compliance with the compulsory education law, and performance by a pupil of his duty to attend school regularly as provided in Section 300.

1 Section 300⁹).

2 G. Number of absences required for the initial notification

3 The audit report disallows 57 notices in the audit sample for the elementary school
4 and disallows one notice in the audit sample for secondary schools because the District
5 was unable to document that the pupils had accumulated the required number of
6 unexcused absences or tardies necessary to be classified as truant under the mandated
7 program. Education Code Section 48260, as recodified by Chapter 1010, Statutes of
8 1976, required a pupil to be classified as truant “who is absent from school without valid
9 excuse more than three days or tardy in excess of 30 minutes on each of more than three
10 days in one school year.” The original parameters and guidelines were based on this
11 definition of a truant, that is, a pupil with more than three unexcused absences or tardy for
12 more than three periods. Education Code Section 48260, as amended by Chapter 1023,
13 Statutes of 1994, and Chapter 19, Statutes of 1995, requires a pupil to be classified as
14 truant “who is absent from school without valid excuse three full days in one school year
15 or tardy or absent for more than any 30-minute period during the schoolday.” The
16 parameters and guidelines were amended January 31, 2008, to incorporate the change in
17 the Education Code definition of a truant with retroactive effect to FY 2006-07. Thus, until

⁹ Title 5, California Code of Regulations, Section 300, states:

Every pupil shall attend school punctually and regularly; conform to the regulations of the school; obey promptly all the directions of his teacher and others in authority; observe good order and propriety of deportment; be diligent in study; respectful to his teacher and others in authority; kind and courteous to schoolmates; and refrain entirely from the use of profane and vulgar language.

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 FY 2006-07, the parameters and guidelines required at least four unexcused absences for
2 the pupil to be classified as a reimbursable truant, while Education Code Section 48260
3 required only three unexcused absences beginning in 1995. The audit report concludes
4 that since the effective date of the amended parameters and guidelines is July 1, 2006, in
5 order to be reimbursed, the student must accumulate a fourth absence or tardy to claim
6 reimbursement for fiscal years prior to FY 2006-07.

7 The parameters and guidelines specifically reference that the source of the
8 definition of a truant is Section 48260. Therefore, any amendment of Section 48260 would
9 independently and unilaterally change the essential requirements for the initial notice of
10 truancy without the need for an amendment by the Commission on State Mandates. The
11 Controller has decided to enforce the definition of a truant as it was stated in the
12 parameters and guidelines prior to the amendment, even though it contradicts a statute in
13 effect during the audit period. In a July 17, 2007, letter (Exhibit "F") sent to all school
14 districts, the Controller states that his "auditors have been forced to disregard the statute
15 [Education Code 48260] declaring that parental notifications should occur at three
16 absences." As a matter of law, it is unclear how the Controller can disregard the
17 Education Code, or how the Controller was compelled to do so. Further, the audit report
18 asserts that "school districts are responsible for identifying state-mandated costs and filing
19 test claims for reimbursement of those costs," and that "[t]his district, and all other
20 California schools districts, failed to file a test claim in response to" the revised Section
21 48260 definition of an initial truancy. As a matter of law, a new test claim was not needed.

1 The parameters and guidelines were later amended at the Controller's request to
2 accomplish the needed changes. Why the Controller did not act sooner, as early as 1995
3 when the law changed, is not indicated in the audit report.

4 The District properly complied with state law when it issued truancy notifications
5 after three absences, rather than waiting for a fourth absence as required by the
6 parameters and guidelines. Those sampled notifications with at least three absences or
7 tardies are reimbursable. The Controller's disallowance of those notices is without legal
8 authority.

9 **Finding 3 Noncompliant initial truancy notifications**

10 The audit report disallows all \$226,423 of the claimed costs for FY 2006-07
11 because the auditor concluded that the notifications did not comply with the parameters
12 and guidelines as to content because element six (the reference to Section 48264 arrest
13 of minors) of the eight notice elements was not included in the District's written initial
14 notification of truancy. This adjustment does not involve an extrapolation of the statistical
15 sample, instead, all claimed notices are disallowed based on the content of the form letter.

16 Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, at
17 subdivision (a), requires the school district to "notify the pupil's parent or guardian, by
18 first-class mail or other reasonable means" that

- 19 - (1) the pupil is truant,
20 - (2) the parent or guardian is obligated to compel the attendance of the pupil at
21 school, and,

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 - (3) parents or guardians who fail to meet this obligation may be guilty of an
2 infraction and subject to prosecution.

3 Subdivision (b) requires the district to inform the parents or guardians about:

- 4 - (1) alternative educational programs available in the district, and,
5 - (2) their right to meet with appropriate school personnel to discuss solutions to
6 the pupil's truancy.

7 Until amended on January 31, 2008, the content of the parent notices specified in the
8 parameters and guidelines are the five elements in the 1993 version of Section 48260.5.

9 Education Code Section 48260.5, as amended by Chapter 1023, Statutes of 1994,
10 eliminated the previous method of notice distinction between subdivisions (a) and (b), and
11 added three more elements:

- 12 - (6) that the pupil may be subject to prosecution under Section 48264,
13 - (7) that the pupil may be subject to suspension, restriction, or delay of
14 the pupil's driving privilege pursuant to Section 13202.7 of the Vehicle
15 Code, and,
16 - (8) that it is recommended that the parent or guardian accompany the
17 pupil to school and attend classes with the pupil for one day.

18 The audit report considers the absence of element 6 from the written form letter
19 complete noncompliance with the mandate. This is the wrong standard. Section 48260.5
20 does not require any or all of the elements to be included in one written notice, or even a
21 written notice, even though the mandate is reimbursed on the number of notices

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 distributed. Section 48250.5 allows for notice either by mail or “other reasonable means.”

2 The audit did not determine that the District did not complete the mandated notice
3 requirement by making the element 6 notice by other reasonable means, such as on the
4 District’s web page, the annual parent notification mailed at the beginning of the school
5 year, or letters or other communication from the pupil personnel services department after
6 the absences commenced.

7 Since the parameters and guidelines were amended on January 31, 2008,
8 claimants could not have been on notice of the retroactive effect to FY 2006-07 until the
9 amended parameters and guidelines were adopted and included in the next update of the
10 claiming instructions for this program, which was after FY 2006-07. The audit report
11 states that districts have been on notice of the statutory obligation since the adoption of
12 Chapter 1023, Statutes of 1994, and were thus compelled to comply, and that 2008
13 amendment to the parameters and guidelines “simply aligns” the guidelines with the
14 Education Code. This is a strange excuse, since this is the exact opposite of the
15 Controller’s position in Finding 2 regarding the effective date of the change and implied
16 notice to claimants of the number of trancies required to trigger the initial notification of
17 truancy.

18 The District’s initial notification of truancy more than substantially complies with
19 Education Code Section 48260.5. The notice provides a summary of the code section,
20 but does not specifically cite Section 48264. Section 48264, which states that truants are
21 subject to arrest, has been state law in some form since 1903. It permits discretionary

Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy #2

1 noncriminal custody arrests during school hours of students away from home and not in
2 school. A Section 48264 detention does not depend on the occurrence or documentation
3 of either three or four or more absences or tardies and thus a Section 48260.5 notice is
4 not a condition precedent to the enforcement of Section 48264. The student is subject to
5 this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation
6 of Section 48264 in the initial notification of truancy is substantively insignificant. The
7 adjustment should be rescinded as unnecessary and punitive.

8 **Amount Paid by The State**

9 This issue was not an audit finding. The amount of payments received from the
10 state is an integral part of the reimbursement calculation. The Controller changed some
11 of the claimed payment amounts received without a finding in the audit report.

12

	Fiscal Year of Claim			
<u>Amount Paid by the State</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
13 As Claimed	\$ 0	\$ 0	\$ 0	\$ 0
14 Audit Report	\$244,101	\$272,234	\$ 0	\$ 46,437

15
16 The propriety of these adjustments cannot be determined until the Controller supports the
17 reason for each change.

18 /

19 /

20 /

21 /

PART VIII. RELIEF REQUESTED

The District filed its annual reimbursement claims within the time limits prescribed by the Government Code. The amounts claimed by the District for reimbursement of the costs of implementing the program imposed by Chapter 498, Statutes of 1983, Notification of Truancy, and relevant Education Code Sections, represent the actual costs incurred by the District to carry out this program. These costs were properly claimed pursuant to the Commission's parameters and guidelines. Reimbursement of these costs is required under Article XIII B, Section 6 of the California Constitution. The Controller denied reimbursement without any basis in law or fact. The District has met its burden of going forward on this claim by complying with the requirements of Section 1185, Title 2, California Code of Regulations. Because the Controller has enforced and is seeking to enforce these adjustments without benefit of statute or regulation, the burden of proof is now upon the Controller to establish a legal basis for its actions.

The District requests that the Commission make findings of fact and law on each and every adjustment made by the Controller and each and every procedural and jurisdictional issue raised in this claim, and order the Controller to correct its audit report findings therefrom.

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1 PART IX. CERTIFICATION

2 By my signature below, I hereby declare, under penalty of perjury under the laws
3 of the State of California, that the information in this incorrect reduction claim
4 submission is true and complete to the best of my own knowledge or information or
5 belief, and that the attached documents are true and correct copies of documents
6 received from or sent by the state agency which originated the document.

7 Executed on October 8 2010, at Riverside, California, by

8 

9 Michael H. Fine, Deputy Superintendent
10 Business Services & Governmental Relations
11 Riverside Unified School District
12 6050 Industrial Avenue
13 Riverside, CA 92504
14 Voice: 951-352-6729 x 82001
15 Fax: 951-778-5713
16 E-Mail: mfine@rusd.k12.ca.us

17 APPOINTMENT OF REPRESENTATIVE

18 Riverside Unified School District appoints Keith B. Petersen, SixTen and
19 Associates, as its representative for this incorrect reduction claim.

20 

21 Michael H. Fine, Deputy Superintendent
22 Business Services & Governmental Relations
23 Riverside Unified School District

10/8/10
Date

24 Attachments:

- 25 Exhibit "A" Controller's Payment Letters and Account Statements (various
26 dates)
27 Exhibit "B" Parameters and Guidelines as amended July 22, 1993
28 Exhibit "C" Controller's Claiming Instructions revised October 1996
29 Exhibit "D" Controller's Audit Report dated February 5, 2010
30 Exhibit "E" "Statistical Sampling Revisited" by Neal B. Hitzig
31 Exhibit "F" Controller's letter dated July 17, 2007
32 Exhibit "G" Annual reimbursement claims

COMMAND ==>
LRSP572 20100223 200009

SCROLL ==> SCREE
P 5 R 1 C 1

S33120

00048

2010/02/25

FEBRUARY 25, 2010
BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2003/2004 FISCAL YEAR REIMBURSEMENT CLAIM FOR
THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR
REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED	245,101.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	- 34,358.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)	-244,101.00

AMOUNT DUE STATE	\$ 33,358.00
	=====

Date: 08/31/2010 Time: 02:44:37 PM

03/4

COMMAND ===>

SCROLL ===> SCREE

LRSP572 20100223 200009

P 5 R 22 C 1

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 33,358.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT TIFFANY HOANG AT (916) 323-1127 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:

LATE CLAIM PENALTY	-	1,000.00	
FIELD AUDIT FINDINGS	-	33,358.00 ✓	
TOTAL ADJUSTMENTS	-		34,358.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA62121A			
PAID 09-12-2006		0.00	
TOTAL PRIOR PAYMENTS			-244,101.00

Date: 08/31/2010 Time: 02:44:59 PM

COMMAND ==>
LRSP572 20100225 200006

SCROLL ==> SCREE
P 3 R 1 C 1

S33120
00048
2010/02/27

FEBRUARY 27, 2010
BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2004/2005 FISCAL YEAR REIMBURSEMENT CLAIM FOR
THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR
REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED	273,234.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	- 39,599.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)	-272,234.00

AMOUNT DUE STATE	\$ 38,599.00
	=====

Date: 08/31/2010 Time: 02:36:36 PM

09/18

COMMAND ===>

SCROLL ===> SCREE

LRSP572 20100225 200006

P 3 R 22 C 1

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 38,599.00 WITHIN 30
DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S
OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850,
SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO
REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET
THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE
MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT TIFFANY HOANG
AT (916) 323-1127 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:

LATE CLAIM PENALTY	-	1,000.00	
FIELD AUDIT FINDINGS	-	38,599.00 ✓	
TOTAL ADJUSTMENTS			- 39,599.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA62101Z			
PAID 03-14-2007		0.00	
TOTAL PRIOR PAYMENTS			-272,234.00

Date: 08/31/2010 Time: 02:36:55 PM

0723I-START OF REPORT PAGES
COMMAND ==>
LRSP572 20100617 200007

SCROLL ==> SCREE
P 1 R 1 C 1
S33120
00048
2010/06/19

JUNE 19, 2010
BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2005/2006 FISCAL YEAR REIMBURSEMENT CLAIM FOR
THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR
REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		243,123.00
ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	- 27,708.00 /	
TOTAL ADJUSTMENTS	-	27,708.00

05/6

Date: 08/31/2010 Time: 02:40:07 PM

COMMAND ==>

LRSP572 20100617 200007

SCROLL ==> SCREE

P 1 R 22 C 1

AMOUNT DUE CLAIMANT

\$ 215,415.00
=====

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT KIM NGUYEN
AT (916) 324-7876 OR IN WRITING AT THE STATE CONTROLLER'S OFFICE,
DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO,
CA 94250-5875. DUE TO INSUFFICIENT APPROPRIATION, THE BALANCE DUE
WILL BE FORTHCOMING WHEN ADDITIONAL FUNDS ARE MADE AVAILABLE.

05/1

Date: 08/31/2010 Time: 02:41:40 PM



JOHN CHIANG
California State Controller

March 01, 2010

Lewis j. Vanderzyl, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Re: Notification of Truancy Program, Ch. 498/83

Dear Mr. Vanderzyl:

We have reviewed your 2006/2007 fiscal year reimbursement claim for the mandated cost program referenced above. The results of our review are as follows:

Claimed Amount	\$226,423.00
Less:	
Adjustment to Claim: Field Audit Findings dated February 5, 2010	(226,423.00)
Prior Payments:	
Schedule Reference Nos.: MA62197E (paid 03/12/2007)	(46,437.00)
Amount Due To State	<u>\$ (46,437.00)</u>

The overpayment amount of \$46,437.00 will be offset from future mandate payments. However, you may remit a warrant payable to the State Controller's Office, Division of Accounting and Reporting, P.O. Box 942850, Sacramento, CA 94250-5875 with a copy of this letter. If you have any questions, please contact Tiffany Hoang, Fiscal Analyst, at (916) 323-1127.

Sincerely,

GINNY BRUMMELS
Manager

GLB:th

MAILING ADDRESS - P.O. Box 942850, Sacramento, CA 94250

06/09

COMMISSION ON STATE MANDATES

1414 K Street, Suite 315
SACRAMENTO, CA 95814
(916) 323-3562

July 22, 1993

Mr. Keith B. Petersen
Legislative Financial Specialist
San Diego Unified School District
4100 Normal Street
San Diego, California 92103-2682

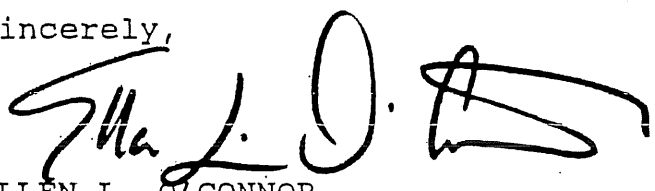
Re: Chapter 498, Statutes of 1983,
Education Code section 48915(a)
Expulsion Reports
and
Chapter 498, Statutes of 1983,
Education Code section 48260.5
Notification of Truancy

Dear Mr. Petersen:

Parameters and guidelines for the above-entitled mandated programs were adopted by the Commission on State Mandates at its July 22, 1993, hearing.

If you have any questions, please contact me. Thank you for your assistance in this process.

Sincerely,



ELLEN L. O'CONNOR
Program Analyst

g:\pg\not_exp.dec

Encl: Adopted Parameters and Guidelines

cc w/enc :Mr. Jim Apps, Department of Finance
Mr. John Korach, State Controller's Office
Ms. Gaye Welch-Brown, State Controller's Office
Mr. Floyd Shimomura, Attorney General's Office
Ms. Carol Miller, Education Mandated Cost Network

G:\PG\NOT1.PG
Adopted: 8/27/87
Amended: 7/28/88
Amended: 7/22/93

PARAMETERS AND GUIDELINES
Chapter 498, Statutes of 1983
Education Code Section 48260.5
Notification of Truancy

I. SUMMARY OF MANDATE

Chapter 498, Statutes of 1983, added Education Code Section 48260.5 which requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district, and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code Section 48260.)

A student shall be initially classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code Section 48260.5 as enacted by Chapter 498, Statutes of 1983.

II. BOARD OF CONTROL DECISION

On November 29, 1984, the State Board of Control determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a state mandated program because it requires an increased level of service by requiring specified notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

III. ELIGIBLE CLAIMANTS

The claimants are all school districts and county offices of education of the state of California, except a community college district, as defined by Government Code Section 17519 (formerly Revenue and Taxation Code 2208.5), that incur increased costs as a result of implementing the program activities of Education Code Section 48260.5, Chapter 498, Statutes of 1983.

IV. PERIOD OF REIMBURSEMENT

Chapter 498, Statutes of 1983, became effective July 28, 1983. Section 17557 of the Government Code provides that a test claim must be submitted on or before December 31 following a given fiscal year to establish eligibility for that fiscal year. The test claim for Education Code Section 48260.5, Chapter 498, Statutes of 1983, was initially filed on August 25, 1984, therefore the reimbursable costs to the school districts are all such permitted costs incurred on or after July 28, 1983.

V. REIMBURSABLE COSTS

A. Scope of Mandate

The eligible claimant shall be reimbursed for only those costs incurred for planning the notification process, revising district procedures, the printing and distribution of notification forms, and associated record keeping.

B. Reimbursable Activities

For each eligible school district the direct and indirect costs of labor, supplies, and services incurred for the following mandated program activities are reimbursable:

1. Planning and Preparation -- One-time

Planning the method of implementation, revising school district policies, and designing and printing the forms.

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping.

C. Uniform Cost Allowance

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance for reimbursement in lieu of payment of total actual costs incurred. The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983.

For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.

D. Unique Costs

School districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement. Pursuant to Section 1185.3, Title 2, California Code of Regulations, such requests must be made by November 30 immediately following the fiscal year of the reimbursement claim in which reimbursement for the costs is requested.

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program.

A. Uniform Cost Allowance Reimbursement

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

B. Recognized Unique Costs

As of fiscal year 1992-93, the Commission has not identified any circumstances which would cause a school district to incur additional costs to implement this mandate which have not already been incorporated in the uniform cost allowance.

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated

program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

School districts which incur these recognized unique costs will be required to support those actual costs in the following manner:

1. Narrative Statement of Unique Costs Incurred

Provide a detailed written explanation of the costs associated with the unique circumstances recognized by the Commission.

2. Employee Salaries and Benefits

Identify the employee(s) and their job classification, describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The staff time claimed must be supported by source documentation, such as time reports, however, the average number of hours devoted to each function may be claimed if supported by a documented time study.

3. Services and Supplies

Only expenditures which can be identified as a direct cost as a result of the mandated program can be claimed. List cost of materials which have been consumed or expended specifically for the purposes of this mandated program.

4. Allowable Overhead Costs

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education. County offices of education must use the J-73A (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the State Department of Education.

VII. SUPPORTING DATA

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

A. Uniform Allowance Reimbursement

Documentation which indicates the total number of initial notifications of truancy distributed.

B. Reimbursement of Unique Costs

In addition to maintaining the same documentation as required for uniform cost allowance reimbursement, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

VII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the uniform cost allowance and actual cost reimbursement for unique circumstances claimed. In addition, reimbursement for this mandated program received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

VIII. REQUIRED CERTIFICATION

An authorized representative of the claimant will be required to provide a certification of claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained herein.

NOTIFICATION OF TRUANCY

1. Summary of Chapter 498/83

Education Code § 48260.5, as added by Chapter 498, Statutes of 1983, requires that school districts, upon a pupil's initial classification as a truant, notify the pupil's parent or guardian by first-class mail or other reasonable means, of the pupil's truancy, that the parent or guardian is obligated to compel the attendance of the pupil at school and that the parent or guardian who fails to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with § 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of alternative educational programs available in the district, and the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

- (1) Truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code § 48260).
- (2) A student shall be classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code 48260.5 as enacted by Chapter 498, Statutes of 1983.

On November 29, 1984, the Commission on State Mandates determined that Chapter 498, Statutes of 1983, resulted in state mandated costs which are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

2. Eligible Claimants

Any school district (K-12) or county office of education that incurs increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

Claims may only be filed with the State Controller's Office for programs that have been funded in the state budget, the State Mandates Claims Fund, or in special legislation. To determine if this program is funded in subsequent fiscal years, refer to the schedule "Appropriation for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to county superintendents of schools and superintendents of schools.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year. However, any county superintendent of schools, as fiscal agent for the school district, may submit a combined claim in excess of \$200 on behalf of one or more districts within the county even if the individual district's claim does not exceed \$200. A combined claim must show the individual costs for each district.

Once a combined claim is filed, all subsequent years relating to the same mandate must be filed in a combined form. The county receives the reimbursement payment and is responsible for disbursing funds to each participating district. A district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office of its intent to file a separate claim at least 180 days prior to the deadline for filing the claim.

5. Filing Deadline

Refer to the item, "Reimbursable State Mandated Cost Programs", contained in the annual cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19__/_ Reimbursement Claim", and/or "19__/_ Estimated Claim", claims may be filed as follows:

- (1) An estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the district fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed on a unit cost basis for an initial notice to the parents or guardian regarding the pupil's truancy. For the 1995/96 fiscal year the unit rate is \$10.97 per initial notice. The unit rate is adjusted annually by the changes in the implicit price deflator and covers all direct and indirect costs of the following on-going activities:

- A. Identifying the Truant Pupil
- B. Notification to Parent or Guardian
- C. Printing Additional Forms
- D. Recordkeeping

7. Reimbursement Limitations

- A. This program does not provide reimbursement for activities related to resolving truancy problems (i.e., referrals to attendance review board, meetings with parent or guardian to discuss the pupil's truancy problems and/or discuss alternative educational programs, etc.).
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. service fees collected, federal funds, other state funds, etc.) as a result of this mandate shall be identified and deducted so only net local costs are claimed.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

8. **Form NOT-1, Claim Summary**

This form is used to compute the amount of claimable costs based on the number of reports forwarded to the governing board with the recommendation not to expel the student. The claimant must give the number of truant notifications. The cost data on this form is carried forward to form FAM-27.

9. **Form FAM-27, Claim for Payment**

Form FAM-27 contains a certification that must be signed by an authorized representative of the district. All applicable information from form NOT-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY		For State Controller Use Only	Program 048
		(19) Program Number 00048	
		(20) Date Filed ___/___/___	
		(21) LRS Input ___/___/___	
L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data
	(02) Claimant Name		(22) NOT-1, (03)
	County of Location		(23)
	Street Address or P.O. Box Suite		(24)
	City State Zip Code		(25)
Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 20___/20___	(12) 20___/20___	(30)
Total Claimed Amount	(07)	(13)	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16)	(34)
Due to Claimant	(08)	(17)	(35)
Due to State		(18)	(36)
(37) CERTIFICATION OF CLAIM			
In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 498, Statutes of 1983, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, Inclusive.			
I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 498, Statutes of 1983.			
The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 498, Statutes of 1983, set forth on the attached statements.			
Signature of Authorized Officer		Date	
_____		_____	
_____		_____	
Type or Print Name		Title	
(38) Name of Contact Person for Claim		Telephone Number () - Ext.	
_____		_____	
E-Mail Address		_____	
_____		_____	

Program 048	NOTIFICATION OF TRUANCY Certification Claim Form Instructions	FORM FAM-27
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- (01) Leave blank.
- (02) A set of mailing labels with the claimant's I.D. number and address was enclosed with the letter regarding the claiming instructions. The mailing labels are designed to speed processing and prevent common errors that delay payment. Affix a label in the space shown on form FAM-27. Cross out any errors and print the correct information on the label. Add any missing address items, except county of location and a person's name. If you did not receive labels, print or type your agency's mailing address.
- (03) If filing an original estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing an original estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended or combined claim, enter an "X" in the box on line (05) Amended. Leave boxes (03) and (04) blank.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing an original reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing an original reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended or a combined claim on behalf of districts within the county, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of reimbursement claim from form NOT-1, line (08).
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter either the product of multiplying line (13) by the factor 0.10 (10% penalty) or \$1,000, whichever is less.
- (15) If filing a reimbursement claim and a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16) Net Claimed Amount is positive, enter that amount on line (17) Due from State.
- (18) If line (16) Net Claimed Amount is negative, enter that amount in line (18) Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (3). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by a signed certification.**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

SUBMIT A SIGNED, ORIGINAL FORM FAM-27 WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS (NO COPIES NECESSARY) TO:

Address, if delivered by U.S. Postal Service:
 OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

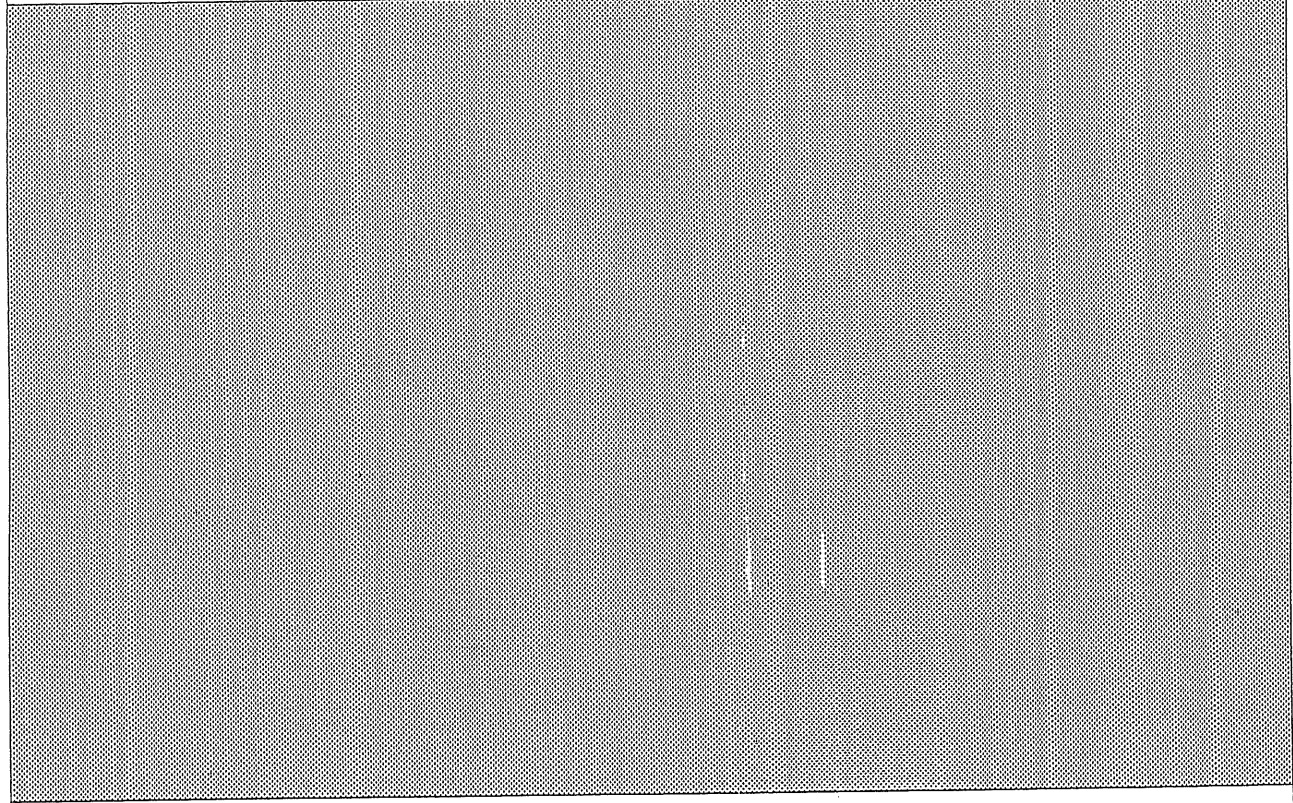
Address, if delivered by other delivery service:
 OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
-----------------------	---	--

(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 20___/20___
---------------	--	----------------------------

Claim Statistics

(03) Number of truant notifications	
-------------------------------------	--



Cost		
(04) Unit Cost per an initial truancy notification	[\$12.73 for the 2000-01 fiscal year]	
(05) Total Costs	[Line (03) x line (04)]	
Cost Reduction		
(06) Less: Offsetting Savings		
(07) Less: Other Reimbursements		
(08) Total Claimed Amount	[Line (05) - (line (06) + line (07))]	

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM NOT-1
-----------------------	--	---------------

- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.
- Form NOT-1 must be filed for a reimbursement claim. Do not complete form NOT-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form NOT-1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2000-01 fiscal year is \$12.73 per initial notification. This cost rate will be updated yearly and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.) which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

RIVERSIDE UNIFIED
SCHOOL DISTRICT
2010 FEB 10 10:40:58

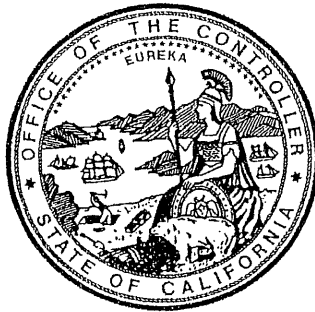
RIVERSIDE UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

February 2010



JOHN CHIANG
California State Controller

February 5, 2010

Lewis J. Vanderzyl, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mr. Vanderzyl:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$659,793 is allowable and \$326,088 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$562,772. Allowable costs claimed exceed the amount paid by \$97,021.

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:vb

cc: Richard L. Miller, Ph.D., Superintendent
Riverside Unified School District
Michael H. Fine, Deputy Superintendent
Business Services and Governmental Relations
Riverside Unified School District
William E. Hendrick, Ph.D., Director of Pupil Services
Riverside Unified School District
Annette Alvarez, Fiscal Services Manager
Riverside Unified School District
Kenneth M. Young, Riverside County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
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Contents

Audit Report

Summary	1
Background.....	1
Objective, Scope, and Methodology.....	2
Conclusion.....	2
Views of Responsible Official.....	3
Restricted Use.....	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$659,793 is allowable and \$326,088 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$562,772. Allowable costs claimed exceed the amount paid by \$97,021.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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. Except for the following issue, 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 were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

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, the Riverside Unified School District claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$659,793 is allowable and \$326,088 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$244,101. Our audit disclosed that \$210,743 is allowable. The State will offset \$33,358 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$272,234. Our audit disclosed that \$233,635 is allowable. The State will offset \$38,599 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$215,415 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$46,437. Our audit disclosed that the entire amount is unallowable. The State will offset \$46,437 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on November 20, 2009. Michael H. Fine, Deputy Superintendent, responded by letter dated December 14, 2009 (Attachment). The district disagreed with Findings 2 and 3, and stated that it does not dispute Finding 1 at this time. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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.



JEFFREY V. BROWNFIELD
Chief, Division of Audits

February 5, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	17,943	15,501	(2,442)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total costs	\$ 245,101	\$ 211,743 ²	\$ (33,358)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 244,101</u>	210,743	<u>\$ (33,358)</u>	
Less amount paid by the State		(244,101)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (33,358)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	19,134	16,431	(2,703)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total costs	\$ 273,234	\$ 234,635	\$ (38,599)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 272,234</u>	233,635	<u>\$ (38,599)</u>	
Less amount paid by the State		(272,234)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (38,599)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	15,645	13,862	(1,783)	Finding 1
Unit cost per initial notifications	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 243,123</u>	\$ 215,415	<u>\$ (27,708)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 215,415</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	14,020	—	(14,020)	Finding 3
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs	<u>\$ 226,423</u>	\$ —	<u>\$ (226,423)</u>	
Less amount paid by the State		(46,437)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (46,437)</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total program costs	\$ 987,881	\$ 661,793	\$ (326,088)	
Less late claim penalty	(2,000)	(2,000)	—	
Subtotal	<u>\$ 985,881</u>	659,793	<u>\$ (326,088)</u>	
Less amount paid by the State		(562,772)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 97,021</u>		

¹ See the Findings and Recommendations section.

² Difference due to rounding.

Findings and Recommendations

FINDING 1— Unsupported initial truancy notifications claimed

The district claimed \$799 in unsupported initial truancy notifications for fiscal year (FY) 2003-04 and FY 2004-05 because attendance records did not support the number of initial truancy notifications claimed.

For FY 2003-04 and FY 2004-05, the district claimed 17,943 and 19,134 initial truancy notifications, respectively. However, its attendance records only supported 17,919 and 19,101 notifications for the same period. The overstated number of truancy notifications totaled 57.

The following table summarizes the unsupported initial truancy notifications claimed:

	Fiscal Year		Total
	2003-04	2004-05	
Number of elementary school initial notifications documented	9,214	9,395	
Number of secondary school initial notifications documented	8,705	9,706	
Total number of initial truancy notifications documented	17,919	19,101	
Less number of initial truancy notifications claimed	(17,943)	(19,134)	
Understated/(overstated) number of initial truancy notifications	(24)	(33)	57
Uniform cost allowance	× \$13.66	× \$14.28	
Audit adjustment	\$ (328)	\$ (471)	\$ (799)

The program's parameter's and guidelines require the district to provide documentation that supports the total number of initial notifications of truancy distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District's Response

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

SCO's Comments

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district overstated allowable initial truancy notifications by \$98,866 during the audit period. This amount is net of the adjustment in Finding 1 totaling \$799 in costs claimed that were not supported by the district's attendance records and \$5,237 of reimbursable elementary school costs the district did not claim for FY 2005-06.

The district claimed initial truancy notifications it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district attendance records supported 454 more initial truancy notifications than it claimed for Harrison and Hawthorne Elementary Schools.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. However, Education Code section 48000 states, "A child shall be admitted to a kindergarten at the beginning of a school year, or at any later time in the same year if the child will have his or her fifth birthday on or before December 2 of that school year." In addition, Education Code section 48010 states, "A child shall be admitted to the first grade of an elementary school during the first month of a school year if the child will have his or her sixth birthday on or before December 2 of that school year." Therefore, kindergarten and 1st grade students are not subject to compulsory attendance requirements during some or all of their school year. Furthermore, 12th grade students are not subject to compulsory attendance requirements during some or all of their school year. If a truancy instance occurred before the child's 6th birthday or after their 18th birthday, those instances are not reimbursable.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes unallowable truancy notifications claimed:

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Elementary Schools</u>				
Number of unallowable truancy notifications	(36)	(40)	(38)	
Truancy pupils sampled	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(24.32)%	(27.03)%	(25.85)%	
Supported number of truancy notifications claimed ¹	× 9,214	× 9,395	× 7,562	
Projected number of unallowable truancy notifications	(2,241)	(2,539)	(1,955)	
Uniform cost allowance	×\$13.66	×\$14.28	×\$15.54	
Total unallowable truancy notifications claimed, elementary schools	<u>\$(30,612)</u>	<u>\$(36,257)</u>	<u>\$(30,381)</u>	\$ (97,250)
<u>Secondary Schools</u>				
Number of unallowable truancy notifications	(3)	(2)	(3)	
Truancy pupils sampled	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(2.03)%	(1.35)%	(2.04)%	
Supported number of truancy notifications claimed ¹	× 8,705	× 9,706	× 8,083	
Projected number of unallowable truancy notifications	(177)	(131)	(165)	
Uniform cost allowance	×\$13.66	×\$14.28	× \$15.54	
Total unallowable truancy notifications claimed, secondary schools	<u>\$ (2,418)</u>	<u>\$ (1,871)</u>	<u>\$ (2,564)</u>	(6,853)
Total unallowable truancy notifications claimed	<u>\$(33,030)</u>	<u>\$(38,128)</u>	<u>\$(32,945)</u>	<u>\$(104,103)</u>

¹ Net of unsupported trancies identified in Finding 1. For FY 2005-06, the population of elementary schools sampled totaled 8,016 (7,562 claimed and 454 unclaimed).

The following table summarizes unclaimed allowable initial truancy notifications:

	Fiscal Year
	2005-06
<u>Elementary Schools</u>	
Understated number of truancy notifications	454
Allowable percentage	× 74.15%
Projected unclaimed number of allowable truancy notifications	337
Uniform cost allowance	× \$15.54
Total unclaimed allowable truancy notifications	<u>\$ 5,237</u>

The following table summarizes the unallowable initial truancy notifications claimed net of unclaimed notifications:

	Fiscal Years			Total
	2003-04	2004-05	2005-06	
Total unallowable truancy notifications claimed	\$ (33,030)	\$ (38,128)	\$ (32,945)	\$ (104,103)
Total unclaimed allowable truancy notifications	—	—	5,237	5,237
Audit adjustment	<u>\$ (33,030)</u>	<u>\$ (38,128)</u>	<u>\$ (27,708)</u>	<u>\$ (98,866)</u>

Education Code section 48260, subdivision (a), (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2003-04 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notification costs only for those students who accumulate three or more unexcused absences or tardiness occurrences between age 6 and age 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

District's Response

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

SCO's Comments

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

Audit by Sampling

The district concludes that the SCO based its audit finding on the "wrong standard for review" and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

The SCO did, in fact, conclude that the district's claim was excessive. "Excessive" is defined as "exceeding what is usual, *proper*, *necessary* [emphasis added], or normal."¹ The district's mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, "The professional standards and guidance contained in this document...provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence." Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

¹ Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

The district believes that the sample results may not be representative of the universe because the audit sample included kindergarten students, who are more likely to be excluded due to the under-age issue. The district also states that the possibility that a special education student is under-age or over-age is "greater than [that of] the entire student body," and the inclusion of special education students in the tested sample is "non-representative of the universe." In fact, the opposite is true. An appropriate random, statistical sample may include some kindergarten and special education students because those students are part of the truancy population. The district's response provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.

Number of Absences Required for the Initial Notification

The district does not distinguish between its statutory responsibility and mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. For the audit period (excluding FY 2006-07), the parameters and guidelines state that an initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district, and all other California school districts, failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

Age of Student

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed \$226,423 in unallowable costs for FY 2006-07. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents or guardians of the following eight items:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48260) of Chapter 2 of Part 27.
4. That alternative educational programs are available in the district.
5. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. That the pupil may be subject to prosecution under section 48264.
7. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to section 13202.7 of the Vehicle Code.
8. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item identified above.

Recommendation

We recommend that the district revise its initial truancy notification letters to comply with the minimum requirements specified in the parameters and guidelines.

District's Response

The draft audit report states in the "Background" section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truant are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours

of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

SCO's Comments

Our finding and recommendation are unchanged.

The district asserts that it was not "on notice" of the retroactive effect to FY 2006-07, as the program's parameters and guidelines were amended on January 31, 2008. We disagree. Chapter 1023, Statutes of 1994, required the district to notify parents/guardians of the eight specific items noted in this audit finding. Therefore, the district has been "on notice" of its statutory obligation since that time. The recent amendment to the parameters and guidelines simply aligns these guidelines with the Education Code for mandate-reimbursement purposes.

The district agrees that its initial notification of truancy letter for FY 2006-07 is missing a required element, as it does not state "the pupil may be subject to prosecution under Education Code section 48264." Nevertheless, the district believes it should be reimbursed because its notification "more than substantially complies with Education Code Section 48260.5." In addition, the district believes that our reference to Education Code section 48264 is "substantively insignificant" because enforcement under the section is not dependent on the number of unexcused absences that the pupil accumulates. We disagree on both counts. The parameters and guidelines do not provide reimbursement for "substantial compliance." In addition, the matter of when a district may enforce the provisions of Education Code section 48264 is irrelevant. The parameters and guidelines require that initial truancy notifications include the information provided in Education Code section 48260.5, subdivision (f). The district's notifications did not include the required information; therefore, they are not reimbursable under the mandated program.

OTHER ISSUE—

**Public records
request**

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

SCO's Comments

The SCO provided the district the requested records by separate letter dated January 26, 2010.

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

BOARD OF EDUCATION
Mr. Lewis Vanderzy
President
Mr. Tom Hunt
Vice President
Mrs. Gayle Cloud
Clerk
Mrs. Kathy Allavie
Charles L. Beaty Ph.D.

Riverside Unified School District

Richard L. Miller, Ph.D.
District Superintendent

ADMINISTRATION BUILDING
1180 14TH STREET - P.O. BOX 2800
RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT
(951) 788-7135
FAX: (951) 788-5668

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 14, 2009

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 2003-04, 2004-05, 2005-06, 2006-07
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated November 20, 2009, and received by the District on December 1, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2003 through June 30, 2007.

FINDING 1 - Unsupported initial truancy notifications claimed

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

FINDING 2- Non-reimbursable initial truancy notifications claimed

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$98,866 for FY 2003-04, FY 2004-05, and FY 2005-06. There is no adjustment in this finding for FY 2006-07 as a result of Finding 3.

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (\$2,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth.

absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

FINDING 3- Noncompliant initial truancy notifications

The draft audit report disallows all (\$226,423) of the FY 2006-07 notices as noncompliant with Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. The draft audit states that effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms with the eight notice elements.

The draft audit report states in the 'Background' section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations

CONTENTS

Home

Perspectives

In Focus

Accounting & Auditing

Taxation

Finance

Management

Responsibilities & Leadership

Technology

Advertising

Classifieds

Media Kit

Contact Info

Masthead

BUSINESS

Contact the Editor

Reader Services

Subscribe

Message


Submission Guidelines


INTERACT

Statistical Sampling Revisited

By Neal B. Hitzig

Auditing standards are undergoing revision in the wake of recent, massive audit failures. Legislative and regulatory bodies are focusing more critically on auditors than ever before. Yet, contemplated revisions to auditing standards leave untouched ambiguities and unresolved issues that have reduced the effectiveness of the authoritative literature for decades. One of the longest-standing issues concerns the role and appropriateness of statistical sampling as a substantive audit testing procedure.

 E-mail Story

 Print Story

Background

Throughout the 1960s and '70s, the largest accounting firms devoted extensive resources to the development and implementation of statistical sampling procedures. The firms wrote new policies and guidance, developed time-sharing and batch computer programs, and trained specialized staff. Monetary unit sampling was developed and became a widespread audit tool. The AICPA issued Statement on Auditing Procedure (SAP) 54 and published *Statistical Auditing*, by Donald M. Roberts.

Then, in 1980, the Auditing Standards Board (ASB) issued SAS 39, *Audit Sampling* (AU 350). Members of the Statistical Sampling Subcommittee that wrote SAS 39, which included this author, expected that the imposition of risk, materiality, and selection requirements would further establish statistical sampling as a principal audit testing procedure. In fact, the opposite has occurred, largely because the ASB gave nonstatistical sampling equal evidentiary weight.

Substantive Tests

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The CPA Journal



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Substantive tests are intended to detect and estimate misstatement in accounts and classes of transactions. The authoritative literature recognizes two types of substantive tests: tests of details, and analytical procedures. Except in those cases where complete enumeration of an accounting population is feasible (as in certain computer-assisted auditing techniques), the audit sample is a principal approach to performing the test of details.

Many auditors apply sampling to test controls, despite concerns that such applications may not reveal the information that an auditor seeks. For example, the initialing of documents does not mean that the documents are correct (if that is what initialing purports to signify); it means only that the documents were initialed. Similarly, the fact that an invoice is correctly priced does not mean that a price-checking control functioned properly, because the invoice may have been properly priced in the first place. These examples demonstrate why testing preventive controls with tests of details may not inform the auditor that the subject controls are functioning as intended.

On the other hand, evidence of monetary misstatement in a transaction or account is clear-cut evidence of the absence or malfunction of a control. This is why many auditors view tests of details as being most useful when performed as substantive tests.

Nonstatistical Sampling

AU 350 does not provide a definition of nonstatistical sampling. It states only that “[t]here are two approaches to audit sampling: nonstatistical and statistical” (AU 350.03). The AICPA’s Audit Guide, *Audit Sampling*, provides the following definition:

Any sampling procedure that does not measure the risk is a nonstatistical sampling procedure. Even though the auditor rigorously selects a random sample, the sampling procedure is a nonstatistical sampling application if the auditor does not make a statistical evaluation of the sample results. (AAG-SAM 2.18)

This statement establishes that an auditor may label a sampling technique “nonstatistical” without regard to the manner of sample selection. Thus, even though the Audit

Guide acknowledges the well-known ability of statistical sampling to measure sampling risk, it nevertheless sanctions an auditor's decision to ignore available statistical theory and rely instead on judgment or intuition in interpreting the results of a sampling procedure. In short, the guide gives guesswork equal status with measurability. Such a view is potentially hazardous, because the auditor is permitted to ignore facts that are readily discernable to any practitioner, or legal adversary, who is knowledgeable in the application of statistical methodology.

Why would an auditor prefer nonstatistical sampling, knowing of the availability of objective statistical procedures? Various reasons, restated in the 2001 edition of the Audit Guide, have been cited as the impediments: the cost of training, the cost of sample selection, the cost of sample evaluation. With the passage of time, these reasons have become progressively weaker. Mandatory continuing professional education is now a reality, so there should be little reason for auditors not to advance their skills in sampling techniques. As to the implementation costs associated with the selection and evaluation of random samples, the ready availability of computers and off-the-shelf software has greatly mitigated, if not eliminated, these factors as relevant considerations.

In short, a nonstatistical sample is selected by the exercise of judgment, and not by chance. Haphazard, judgmental, and purposive sampling are some of the terms that describe a nonstatistical sample.

Statistical Sampling

AU 350 and the Audit Guide approach statistical sampling in a roundabout way. The Audit Guide states:

Statistical sampling helps the auditor (1) design an efficient sample, (2) measure the sufficiency of the evidential matter obtained, and (3) quantitatively evaluate the sample results.

Statistical sampling uses the laws of probability to measure sampling risk. (AAG-SAM 2.17)

Although the foregoing statements are correct, they do not define statistical sampling per se.

Statistical sampling is probability sampling. In probability sampling, every item in the population under audit has a known chance of selection. The decision as to which items in the population are to be selected is left to the laws of chance, not to judgment. The most common probability sampling methods in auditing are equal probability (such as simple random and systematic sampling) and sampling with probability proportional to size (such as monetary unit sampling).

The prominent feature of statistical sampling is its ability to measure risk. The measurement instrument is the confidence interval, which gives a calculated range of values for the estimated amount of misstatement in a population. The measurability of statistical sampling distinguishes it from so-called judgment sampling, where the decision as to the items selected for examination is left to the judgment of the auditor. Statistical sampling is a measurement tool. When applied in a substantive test of details, it measures misstatement in an account or class of transactions. Its ability to measure arises from the selection method used, which is probability sampling. Lawyers, judges, and statisticians have explicitly recognized these features of statistical sampling. The Special Committee on Empirical Data in Decision Making, Recommendation on Pretrial Proceeding in Cases with Voluminous Data, made the following statement (see Appendix F, in Fienberg, S.E., ed., *The Evolving Role of Statistical Assessments as Evidence in the Courts*, 1989):

[W]hen a survey is based on probability sampling, the probabilities or risks of sampling misstatements of various sizes can be calculated. This requires the application of *appropriate* statistical formulas. Assessments of sampling misstatement are very often expressed in terms of a standard misstatement. This is a *universally* accepted measure of the margin of error in a survey result that is attributable to sampling.

This illuminating report should serve to alert auditors to the growing use of statistically based evidence in litigation and, by implication, to the risks they face should they ignore the information contained in samples.

The implication is clear: Ignore the formulas applicable to the results of a probability sample and rely instead on intuition at your own risk.

Some auditors believe that they must calculate a sample size beforehand for an audit sample to be statistical. This is incorrect. Any probability sample can be subjected to evaluation by application of the laws of probability, however arbitrary the choice of sample size. Failure to calculate beforehand usually results in samples that are either too large or too small for the auditor's objectives. They are, nevertheless, statistical.

Statistical and nonstatistical sampling methods are defined in terms of the method by which a sample is selected, not in terms of a decision by the auditor not to apply statistical methods, even to a random sample.

When Is Statistical Sampling Appropriate?

Statistical sampling is appropriate whenever an auditor wishes to draw a conclusion about a population without performing an examination of all the items composing that population. Moreover, statistical sampling is appropriate when the auditor has no prior knowledge as to which specific items in a population are misstated.

An important concern that affects the sampling decision is the practicability of selecting a probability sample. If files are computerized and 100% verification cannot be performed by computer-assisted audit techniques, then probability sampling is most likely to be the practical approach. If files are not computerized and the population is large (as a rough rule of thumb, a large population has more than 500 items), then probability sampling may still be practicable. If a population of manual records is maintained in numerical order, a computer application may be used to select random numbers that identify the items to be selected, even items at multiple locations. The items are then located by hand. If the population is not maintained in numerical order, then systematic selection (select every kth item after a random start) may be performed. Systematic selection is one of the easiest procedures to apply, although proper application requires counting through the population. Although many caution that systematic selection is subject to bias because a key characteristic of the population under examination may coincide with the selection interval, in more than 30 years of practice, the author has never observed this to be even a remote practical concern.

Statistical sampling is appropriate for both routine and nonroutine accounting processes. In a test of purchase

transactions, for example, the auditor may employ statistical sampling to test for misstatement in account distribution. An auditor may also apply statistical sampling to a population of securities positions for a large broker-dealer with thousands of positions, to test valuation and existence assertions.

Sampling Risk

AU 350 states “[s]ampling risk arises from the possibility that, when a test ... is restricted to a sample, the auditor’s conclusions may be different from the conclusions he would reach if the test were applied in the same way to all items in the [population].” (AU 350.10) AU 350 also identified two aspects of sampling risk:

The risk of incorrect acceptance is the risk that the sample supports the conclusion that the recorded account balance is not materially misstated when it is materially misstated.

The risk of incorrect rejection is the risk that the sample supports the conclusion that the recorded balance is materially misstated when it is not materially misstated. (AU 350.12)

In practice, it is convenient to think of the foregoing in terms of detection risk and estimation risk, respectively.

Detection risk is the chance that a sample will fail to detect misstatement that actually exceeds the auditor’s specified maximum tolerable amount. “Detection” refers to the decision rule that an auditor applies to decide whether a misstatement is tolerable under the circumstances. A commonly employed rule is the comparison of the calculated upper confidence limit of misstatement with the specified maximum tolerable amount. In SAS 39 terms, the upper confidence limit is the projected misstatement plus the allowance for sampling risk. If the calculated limit is greater than the maximum tolerable amount, the auditor decides that misstatement may exceed the tolerable amount. Otherwise, the auditor decides that misstatement, if it exists, is tolerable. If a properly designed sample discloses no misstatements, the auditor may then decide that misstatement in the population under audit does not exceed the maximum tolerable amount.

Detection risk is principally a planning concept. The auditor specifies it beforehand and uses it as one of the factors that determines the appropriate extent of testing reflected in the sample size.

If misstatements are detected, on the other hand, the estimation risk becomes the key risk under consideration. Estimation risk is the chance that the actual amount of misstatement will not be within the calculated confidence interval. SAS 39 is dismissive of this risk, which it labels the risk of incorrect rejection, as being merely an efficiency issue. AU 350.12 states:

[I]f the auditor's evaluation leads him to the initial erroneous conclusion that a balance is materially misstated when it is not, the application of additional audit procedures and consideration of other audit evidence would ordinarily lead the auditor to the correct conclusion.

This is misleading. An auditor does not know that his conclusion is incorrect; only that the evidence suggests that the population may be materially misstated. Frequently, this is sufficient for action, and no further audit evidence is needed, even if it were practicable to extend testing or to apply alternate procedures. More seriously, AU 350.12 invites the auditor to disregard the results of an unfavorable sample outcome and subordinate it to other, contradictory evidence whose reliability may be less than that of the sample.

Moreover, if the results of an audit sample are sufficiently precise, they may provide the basis for the proposal of an adjusting journal entry by the auditor. In such a case, the appropriate risk consideration is that the adjustment is materially correct. The calculated confidence interval provides the basis for that assessment. Estimation risk is the complement of the confidence level.

Statistical Sampling and Audit Decisions

The auditor uses a sample to decide whether misstatement exists and whether it may exceed the tolerable misstatement. This is the essence of the detection objective of a substantive test of details. While it is possible to design a sample to control for both the detection and estimation risk, audit samples often are designed only with the detection objective in mind.

Nonetheless, if a properly selected random sample has disclosed misstatement, that sample can always be used to obtain a confidence interval on the amount of misstatement, regardless of the planning decisions and the consequent sample size.

For convenience, interval estimates may be classified into six basic categories, each of which is informative in its own way as to the extent of misstatement in the population. The possibilities are discussed below in terms of tolerable misstatement (TM), which is \$600,000 in the examples, the lower confidence limit (LCL) on the estimated misstatement, and the upper confidence limit (UCL) on the estimated misstatement. The projected misstatement (that is, point estimate) is not needed, as the following examples will show. More importantly, the projected misstatement could be misleading. A projection (or point estimate) is merely one outcome in a sample space. Its principal function is to be locator for the confidence interval. It provides no information as to its margin of error. For example, 10 misstatements of \$100 each will yield the same point estimate as one \$1,000 misstatement, but the latter's margin of error is greater.

Example 1. If neither confidence limit exceeds the tolerable misstatement and \$0 is included within the confidence interval, then the auditor would decide that misstatement, if present, is no greater than tolerable misstatement. This case suggests that the amount of misstatement might also be trivial. (See the Exhibit, Figure 1.)

This is the most favorable outcome. This outcome can arise even if misstatements are detected. For example, many misstatements of very small magnitude might yield such a confidence interval. The auditor would conclude that net misstatement, if it exists, does not exceed \$200,000 of understatement or \$400,000 of overstatement. Because neither amount exceeds \$600,000, the auditor may conclude that misstatement is tolerable. Because \$0 is within the confidence interval, it is possible that net misstatement may be \$0.

Except for situations where the sample discloses no misstatement, this case does not apply when the auditor is performing tests of overstatement, such as for the existence or the lower of cost or market.

Example 2. If neither confidence limit exceeds the

tolerable misstatement and \$0 is outside the confidence interval, then the auditor would decide that the population is misstated, but the amount of misstatement is no greater than the tolerable misstatement. (See the Exhibit, Figure 2.)

This is similar to Example 1, except that the sample evidence indicates some misstatement. That is, the auditor may be confident that the population is overstated by at least \$150,000, but not by more than \$400,000.

Example 3. This case is the same as above, except that one of the confidence limits exceeds the tolerable misstatement. The auditor would conclude that the population is misstated and that the total misstatement may be greater than the tolerable misstatement, but it also may be less. The auditor cannot accept the population as being fairly stated on the sample evidence provided. (See the Exhibit, Figure 3.)

This situation arises when the disclosed misstatements exceed the auditor's expectation. This can occur in a sample even though the actual population misstatement is as expected. In fact, if the actual population misstatement is equal to the amount expected by the auditor and used to determine sample size, then there is roughly a 50% chance that the sample's projected misstatement will be greater than the expected misstatement. In the context of AU 350's approach to interpretation of results, this outcome would imply that the risk of intolerable misstatement is greater than the level specified by the auditor as the risk of incorrect acceptance.

This is a common outcome of audit samples. It is the outcome to be expected if the difference between the actual (but unknown) misstatement and tolerable misstatement is less than the precision of the sample estimate.

Extending the audit sample in such a circumstance often only confirms the initial finding, albeit more precisely, because the range of the confidence interval decreases as the sample size increases. In this case, an adjusting journal entry might be proposed. Whether a possible adjustment would be passed over is a question that would await the completion of the audit.

Example 4. In this case, just one of the confidence limits

exceeds the tolerable misstatement, but the lower limit is negative and the upper limit is positive. The results indicate that the population may be overstated by as much as \$800,000 (greater than the tolerable misstatement) or it may be understated by as much as \$300,000 (less than the tolerable misstatement). The net misstatement could also be \$0. Nevertheless, because one of the limits exceeds tolerable misstatement, the auditor may not conclude that the population is fairly stated. (See the Exhibit, Figure 4.)

This outcome can be the result of either the projected misstatement exceeding expectation or the variability of the misstatements in the sample being larger than planned. This situation is common to inventory valuation tests, such as price tests, where large, offsetting misstatements are disclosed. The result strongly suggests significant weakness in controls.

Example 5. In this case, the confidence limits are positive and negative and both exceed the tolerable misstatement. The interval ranges from \$800,000 of understatement to \$800,000 of overstatement. The misstatement may exceed the tolerable amount or it may be trivial. In this case, the sample results are too imprecise for an audit decision at the specified confidence level. (See the Exhibit, Figure 5.)

As in Example 4, of which Example 5 is a more extreme example, this result is not uncommon to tests of inventory valuation, where misstatements are more numerous than anticipated and vary greatly as to magnitude and can be both under- and overstated. While the results are not sufficiently precise for an audit adjustment (in fact, no adjustment may be needed), results such as these demonstrate that accounting controls, if they exist, are ineffective. In addition, the result questions whether sufficient evidence has been obtained.

Example 6. If both confidence limits are positive (or both negative) and both exceed the tolerable misstatement, then the auditor would decide that misstatement indeed exceeds the tolerable amount. In this case, where the overstatement may range from \$800,000 to \$1,600,000, an adjusting journal entry would be likely. (See the Exhibit, Figure 6.)

Statistical Sampling and Audit Actions

The auditor has three courses of action when a misstatement is discovered:

- Waive the misstatement
- Do more work
- Propose an adjusting journal entry.

The question of whether the sample evidence is sufficient for an audit conclusion about the population depends upon the size of the confidence interval and the amount of tolerable misstatement. If the length of the interval (from LCL to UCL) is less than twice the tolerable misstatement, then there is some materially correct value within the interval. The auditor's objective is not to estimate the amount of misstatement with pinpoint precision. If an adjustment is to be made, the auditor should be able to propose an amount that will reduce any remaining misstatement to an amount that is no greater than the tolerable misstatement.

Given the risk level specified by the auditor when evaluating the sample, an adjusting journal entry (AJE) can be proposed that reduces the misstatement in the population to an amount that is no greater than the tolerable misstatement. Suppose that a 90% confidence interval yields a lower limit of \$800,000 and an upper limit of \$1,600,000, and that the tolerable misstatement is \$600,000. The range of the interval (\$800,000) is less than two times the tolerable misstatement. Exhibit Figure 7 shows that a materially correct AJE can be booked within a range of values from \$1 million to \$1,400,000. In other words, any value within the confidence interval would be a tolerably correct AJE if both confidence limits are within the tolerable misstatement of the proposed adjustment. The risk would be no greater than the specified estimation risk.

Examination of Figure 7 should make it evident why two-sided interval estimation is important in cases where adjusting journal entries are being considered. Auditing literature has, in recent years, focused exclusively on the upper confidence limit of misstatement (that is, the confidence limit further from zero). Such a focus does not provide adequate basis for proposing sufficiently correct adjustments. By looking at only the upper limit, the auditor could inadvertently propose too large an adjustment, turning a case that was intolerably overstated into one that is intolerably understated. Only by reference to the lower confidence limit can the auditor avoid such an outcome. The Audit Guide is not clear

regarding the foregoing, providing only a one-sentence approach to audit adjustments (AAG-SAM 7.36).

Does Statistical Sampling Undermine Auditor Judgment?

Many auditors continue to resist applying statistical sampling. In addition to objections to the cost of training, the cost of sample selection, and the cost of sample evaluation, some auditors have expressed concern that statistical sampling impedes auditor judgment. This assertion is no truer than the assertion that laboratory biopsy is an impediment to a physician's exercise of judgment. Auditor judgment is essential in several key respects: in deciding tolerable misstatement, in choosing the method for selecting the sample, in analyzing and assessing the population's characteristics (such as the expected misstatement and variability of misstatement amounts), in deciding the appropriate risk level, and in deciding the method of estimation. If the auditor suspects that some population categories are more likely to contain misstatement, a sampling plan to accommodate such judgments can be devised.

Judgment is not applied in the random selection process, which is left to the operation of the laws of chance, and in the construction of the confidence interval after the sample results are available.

The ASB and the Public Company Accounting Oversight Board should provide explicit recognition of the superiority of statistical sampling in situations where the auditor has no specific knowledge as to the location and amounts of individual misstatements in an accounting population. The recently published Audit Guide, which "includes increased coverage of nonstatistical audit sampling," is a step in the wrong direction. It is time for the profession to acknowledge that audit sampling is a decision tool that calls for the application of objective, defensible techniques, not guesswork.

Neal B. Hitzig, PhD, CPA, is professor of accounting and information systems at Queens College (CUNY). He is a member of the Auditing Standards and Procedures Committee of the NYSSCPA and a retired partner of Ernst & Young.

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JOHN CHIANG
California State Controller

July 17, 2007

RE: Passage of AB 1698 (ENG) Fixing the Truancy Mandate

Dear School District:

I am writing to share the very good news that AB 1698 (Eng) has been chaptered and a decade-long discrepancy affecting administration of the Notification of Truancy mandate has been rectified.

The Notification of Truancy mandate established a higher level of service for school districts to apprise parents of truant pupils. In the mid-1990's, this mandate statute was amended to broaden the notification requirements and definition of truant. When the three-year statute of limitations for the Commission on State Mandates (COSM) to change the Parameters and Guidelines ("Ps and Gs") elapsed without an update, the discrepancy could only be fixed through statute.

As the sponsor of this bill, I sought to direct the COSM to align the Ps and Gs with statute. Without this clarification, my auditors have been forced to disregard the statute declaring that parental notifications should occur at three absences and include eight specific pieces of information, as opposed to the four absences and five pieces of information specified in the Ps and Gs.

AB 1698 will ensure that all schools who notify parents when three unexcused absences accrue are appropriately reimbursed for their efforts.

It is unfortunate that a misalignment of Ps and Gs and statute took more than a decade to correct. As your State Controller, you have my assurance that I will continue to pursue the removal of bureaucratic obstacles to appropriate and on-time payment.

School District
July 18, 2007
Page 2

I hope we can work together again on common sense solutions to outdated or unworkable mandate processes.

Sincerely,

Original Signed By

JOHN CHIANG
California State Controller

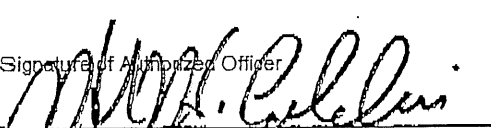
cc: The Honorable Mike Eng

Fiscal Year

2003 - 2004

State Controller's Office

School Mandated Cost Manual

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY			(19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 048
S33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504			Reimbursement Claim Data	
			(22) NOT-1, (03)	17,943
			(23)	
			(24)	
			(25)	
			(26)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)	
Fiscal Year of Cost	(06) 20__ / 20__	(12) 20 <u>03</u> / 20 <u>04</u>	(31)	
Total Claimed Amount	(07)	(13) 245,101.00	(32)	
Less: 10% Late Penalty, not to exceed \$1,000		(14) 1,000.00	(33)	
Less: Prior Claim Payment Received		(15)	(34)	
Net Claimed Amount		(16) 244,101.00	(35)	
Due from State	(08)	(17) 244,101.00	(36)	
Due to State		(18) 0		
(37) CERTIFICATION OF CLAIM In accordance with the provisions of Government Code 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive. I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increase level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant. The amounts of Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Officer 			Date 12/2/05	
Herb H. Calderon Type or Print Name			Director - Fiscal Services Title	
(38) Name of Contact Person for Claim Annette Alvarez			Telephone Number (951) 352-6723 Ext. 206 E-mail Address aalvarez@rusd.k12.ca.us	

State Controller's Office

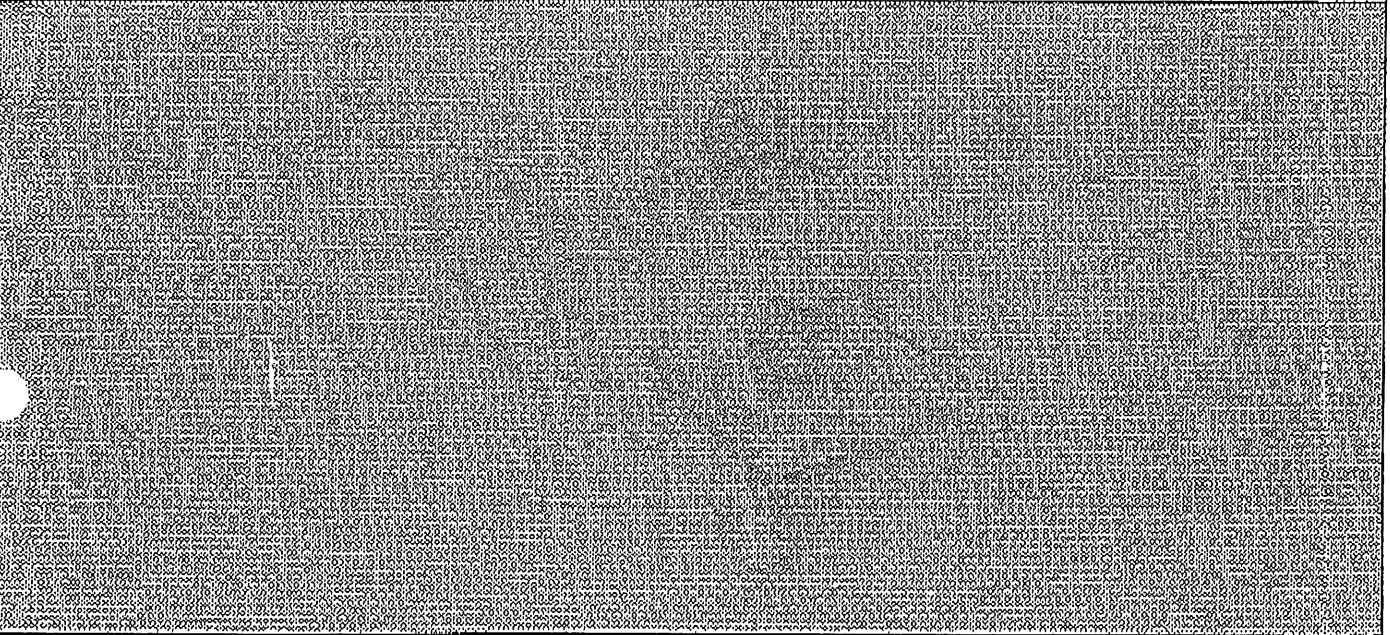
School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
-----------------------	--	---------------

(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Fiscal Year Estimated <input type="checkbox"/> 2003-2004
--	--

Claim Statistics

(03) Number of truant notifications	17,943
-------------------------------------	--------



Cost	
(04) Unit Cost per an initial truancy notification (\$13.66 the 2003-04 fiscal year)	13.66
(05) Total Direct Costs [Line (03) x line (04)]	245,101.38
Cost Reduction	
(06) Less: Offsetting Savings, if applicable	0
(07) Less: Other Reimbursements, if applicable	0
(08) Total Claimed Amount [Line (05) - (Line (06) + Line (07))]	245,101.38

Revised 9/04

Fiscal Year

2004 - 2005

State Controller's Office

School Mandated Cost Manual

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="font-size: small;">For State Controller Use Only</td> <td style="font-size: small;">Program</td> </tr> <tr> <td>(19) Program Number 00048</td> <td style="font-size: 2em; text-align: center; font-weight: bold;">048</td> </tr> <tr> <td>(20) Date Filed <u> </u>/<u> </u>/<u> </u></td> <td></td> </tr> <tr> <td>(21) LRS Input <u> </u>/<u> </u>/<u> </u></td> <td></td> </tr> </table>	For State Controller Use Only	Program	(19) Program Number 00048	048	(20) Date Filed <u> </u> / <u> </u> / <u> </u>		(21) LRS Input <u> </u> / <u> </u> / <u> </u>	
For State Controller Use Only	Program								
(19) Program Number 00048	048								
(20) Date Filed <u> </u> / <u> </u> / <u> </u>									
(21) LRS Input <u> </u> / <u> </u> / <u> </u>									

S33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504	Reimbursement Claim Data
	(22) NOT-1, (03) 19,134
	(23)
	(24)
	(25)

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 20 <u> </u> / 20 <u> </u>	(12) 20 <u>04</u> / 20 <u>05</u>	(30)
Total Claimed Amount	(07)	(13) 273,234.00	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14) (1,000.00)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16) 272,234.00	(34)
Due from State	(08)	(17) 272,234.00	(35)
Due to State		(18) 0	(36)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increase level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts of Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer: *Sandra L. Meekins* Date: 1-16-07

Sandra L. Meekins Director - Fiscal Services
 Type or Print Name Title

(38) Name of Contact Person for Claim	Telephone Number	Telephone Number
Annette Alvarez	E-mail Address	(951) 352-6723 Ext. 206
		aalvarez@rusd.k12.ca.us

State Controller's Office

School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Fiscal Year Estimated <input type="checkbox"/> 2004-2005	
Claim Statistics		
(03) Number of truant notifications	19,134	
[Redacted Area]		
Cost		
(04) Unit Cost per an initial truancy notification (\$14.28 the 2004-05 fiscal year)	14.28	
(05) Total Direct Costs	[Line (03) x line (04)]	273,233.52
Cost Reduction		
(06) Less: Offsetting Savings, if applicable	0	
(07) Less: Other Reimbursements, if applicable	0	
(08) Total Claimed Amount	[Line (05) - {Line (06) + Line (07)}]	273,233.52

Revised 9/06

Fiscal Year

2005 - 2006

State Controller's Office

School Mandated Cost Manual

<p>CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY</p>	<p>FOR STATE CONTROLLER USE ONLY</p> <p>(19) Program Number 00048</p> <p>(20) Date Filed <u> </u>/<u> </u>/<u> </u></p> <p>(21) LRS Input <u> </u>/<u> </u>/<u> </u></p>	<p>Program 048</p>
--	--	--------------------------------------

<p>S33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504</p>	Reimbursement Claim Data	
	(22) NOT-1, (03)	15,645
	(23)	
	(24)	
	(25)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 2006__ / 2007	(12) 2005/ 2006	(30)
Total Claimed Amount	(07) 260,000.00	(13) 243,123.00	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14) 0.0	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16) 243,123.00	(34)
Due from State	(08) 260,000.00	(17) 243,123.00	(35)
Due to State		(18) 0	(36)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increase level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts of Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer: *Sandra L. Meekins* Date: 1-16-07

Sandra L. Meekins Director - Fiscal Services
Type or Print Name Title

(38) Name of Contact Person for Claim	Telephone Number	Telephone Number
Annette Alvarez	(951) 352-6723	Ext. 206
	E-mail Address	aalvarez@rusd.k12.ca.us

State Controller's Office

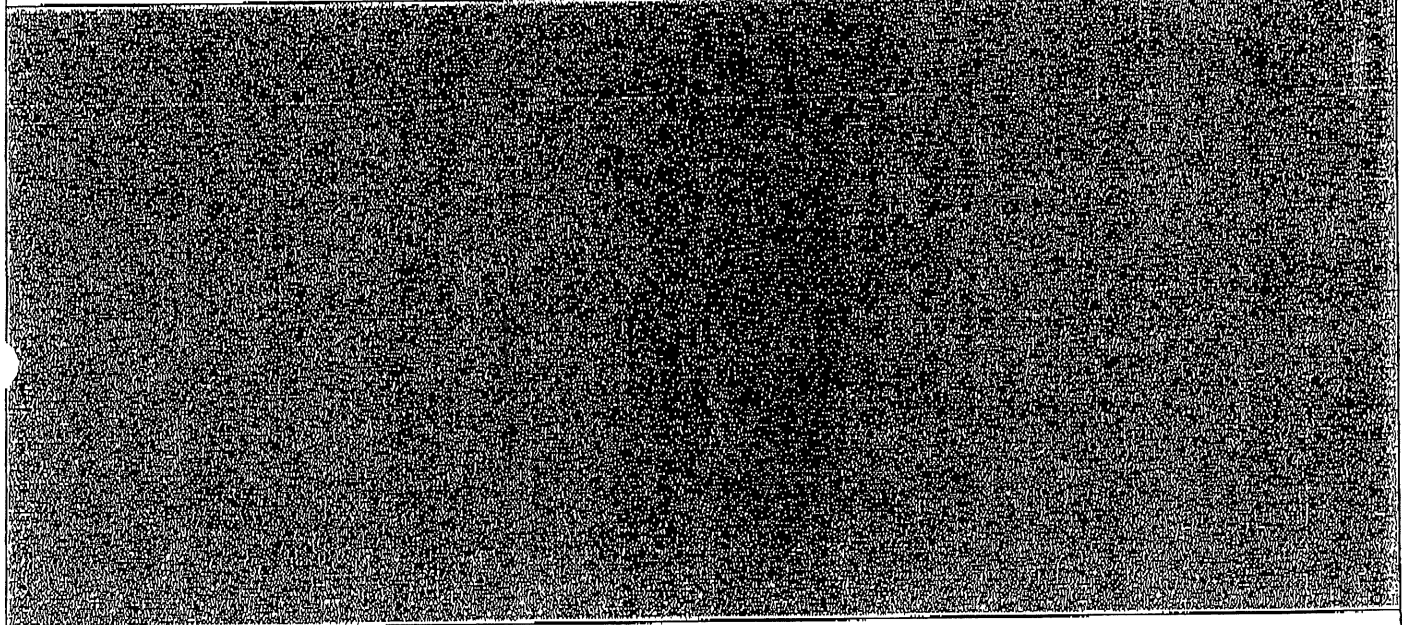
School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
------------------------------	---	-----------------------

(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2005-2006
--	---	--------------------------

Claim Statistics

(03) Number of truant notifications	15,645
-------------------------------------	--------



Cost		
(04) Unit Cost per an initial truancy notification (\$15.54 the 2005-2006 fiscal year)		15.54
(05) Total Direct Costs	[Line (03) x line (04)]	243,123.30
Cost Reduction		
(06) Less: Offsetting Savings, if applicable		0
(07) Less: Other Reimbursements, if applicable		0
(08) Total Claimed Amount	[Line (05) - {(Line (06) + Line (07))}]	243,123.30

Revised 9/06

Fiscal Year

2006 - 2007

State Controller's Office

CLAIM FOR PAYMENT

Pursuant to Government Code Section 17561

NOTIFICATION OF TRUANCY

For Use Only by State Controller		Program
(19) Program Number	00048	048
(20) Date Filed	___/___/___	
(21) LRS Input	___/___/___	

S33120
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVE.
 RIVERSIDE CA 92504

Reimbursement Claim Data	
(22) NOT-1, (03)	14,020
(23)	
(24)	
(25)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
Fiscal Year of Cost	(06) 2007/2008	(12) 2006/2007	(29)
Total Claimed Amount	(07) 245,000.00	(13) 226,423.00	(30)
Less: 10% Late Penalty, not to exceed \$1,000		(14) 0.00	(31)
Less: Prior Claim Payment Received		(15)	(32)
Net Claimed Amount		(16) 226,423.00	(33)
Due from State	(08) 245,000.00	(17) 226,423.00	(34)
Due to State		(18) 0	(35)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increase level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts of Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date

Sandra L. Meekins

2-14-08

Sandra L. Meekins

Director - Fiscal Services

Type or Print Name

Title

(38) Name of Contact Person for Claim

Telephone Number

Telephone Number

Annette Alvarez

E-mail Address

(951) 352-6723 Ext. 206

aalvarez@rusd.k12.ca.us

State Controller's Office

School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY		FORM NOT-1
(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> <input type="checkbox"/> Estimated <input type="checkbox"/> <input type="checkbox"/> Fiscal Year 2006-2007		
Claim Statistics			
(03) Number of truant notifications		14,020	
Cost			
(04) Unit Cost per an initial truancy notification (\$16.15 the 2005-2006 fiscal year)	16.15		
(05) Total Direct Costs	[Line (03) x line (04)]	226,423.00	
Cost Reduction			
(06) Less: Offsetting Savings, if applicable	0		
(07) Less: Other Reimbursements, if applicable	0		
(08) Total Claimed Amount	[Line (05) - {(Line (06) + Line (07))}]	226,423.00	

Revised 9/06

SixTen and Associates

Mandate Reimbursement Services

KEITH B. PETERSEN, President
P.O. Box 340430
Sacramento, CA 95834-0430
Telephone: (916) 419-7093
Fax: (916) 263-9701

E-Mail: Kbpsixten@aol.com
5252 Balboa Avenue, Suite 900
San Diego, CA 92117
Telephone: (858) 514-8605
Fax: (858) 514-8645

November 13, 2013

Heather Halsey, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814



RE: RE: CSM 10-904133-I-10
Riverside Unified School District
498/83 Notification of Truancy-Audit #2
Fiscal Years 2003-04 through 2006-07
Revised Incorrect Reduction Claim

Dear Ms. Halsey:

Enclosed is the original and two copies of the above-referenced revised incorrect reduction claim for Riverside Unified School District.

SixTen and Associates has been appointed by the District as its representative for this matter and all interested parties should direct their inquiries to me, with a copy as follows:

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations
Riverside Unified School District
3380 Fourteenth Street
Riverside, CA 92501
Voice: 951-788-7135 x80423
Fax: 951-778-5668
email: mfine@rusd.k12.ca.us

Sincerely,

A handwritten signature in blue ink that reads "KB Petersen".

Keith B. Petersen

Enclosure: Revised Incorrect Reduction Claim

C: Michael H. Fine, Deputy Superintendent

COMMISSION ON STATE MANDATES

1. REVISED INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy #2

Original Incorrect No: 10-904133-10

This is the second incorrect reduction claim filed by the District on this mandate program

2. CLAIMANT INFORMATION

Riverside Unified School District

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations
Riverside Unified School District
3380 Fourteenth Street
Riverside, CA 92501
Voice: 951-788-7135 x80423
Fax: 951-778-5668
email: mfine@rusd.k12.ca.us

3. CLAIMANT REPRESENTATIVE INFORMATION

Claimant designates the following person to act as its sole representative in this incorrect reduction claim. All correspondence and communications regarding this claim shall be forwarded to this representative. Any change in representation must be authorized by the claimant in writing, and sent to the Commission on State Mandates.

Keith B. Petersen, President
SixTen and Associates
P. O. Box 340430
Sacramento, California 95834-0430
Voice: (916) 419-7093
Fax: (916) 263-9701
kbsixten@aol.com

RECEIVED
For CSW Use Only

Filing Date:

NOV 15 2013

**COMMISSION ON
STATE MANDATES**

IRC #: 13-904133-I-12

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Statutes of 1983, Chapter 498
Education Code Sections 48260 and 48260.5

5. AMOUNT OF INCORRECT REDUCTION

<u>Fiscal Year</u>	<u>Amount of Reduction</u>
2003-04	\$ 33,358
2004-05	\$ 38,599
2005-06	\$ 27,708
2006-07	\$ 28,303
TOTAL:	\$127,968

6. NOTICE OF NO INTENT TO CONSOLIDATE

This claim is **not** being filed with the intent to consolidate on behalf of other claimants.

Sections 7 and 8 are attached as follows:

7. Written Detailed Narrative Pages 1 to 9
8. Controller's Revised Audit Report Exhibit A

9. CLAIM CERTIFICATION

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to Government Code section 17561. This incorrect reduction claim is filed pursuant to Government Code section 17551, subdivision (d). I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief.

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations



Signature

10/29/13

Date

1 Filing Prepared by:
2 Keith B. Petersen, President
3 SixTen and Associates
4 P. O. Box 340430
5 Sacramento, California 95834-0430
6 Voice: (916) 419-7093
7 Fax: (916) 263-9701
8 kbpsixten@aol.com

9 BEFORE THE
10 COMMISSION ON STATE MANDATES
11 STATE OF CALIFORNIA

12	REVISED	)	RE: CSM 10-904133-I-10
13	INCORRECT REDUCTION CLAIM OF:	)	2 nd AUDIT
14)	
15		)	Chapter 498, Statutes of 1983
16)	
17		)	Education Code Section 48260.5
18	RIVERSIDE UNIFIED)	
19		)	<u>Notification of Truancy (Revised)</u>
20	School District)	
21		)	Annual Reimbursement Claims:
22	Claimant.)	
23)	
24		)	Fiscal Year 2003-04
25		)	Fiscal Year 2004-05
26		)	Fiscal Year 2005-06
27		)	Fiscal Year 2006-07
28)	

29 INCORRECT REDUCTION CLAIM FILING
30 PART I. AUTHORITY FOR THE CLAIM

31 The Commission on State Mandates has the authority pursuant to Government
32 Code Section 17551(d) " . . . to hear and decide upon a claim by a local agency or
33 school district, filed on or after January 1, 1985, that the Controller has incorrectly
34 reduced payments to the local agency or school district pursuant to paragraph (2) of

Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

1 subdivision (d) of Section 17561.” Riverside Unified School District (hereafter “District”)
2 is a school district as defined in Government Code Section 17519. Title 2, CCR,
3 Section 1185 (a), requires the claimant to file an incorrect reduction claim with the
4 Commission.

5 Original Incorrect Reduction Claim-November 1, 2010

6 The Controller issued the original final audit report on February 5, 2010. The
7 District submitted an incorrect reduction claim on October 25, 2010. By letter dated
8 November 4, 2010, the Commission on State Mandates notified the District that the
9 incorrect reduction claim was received November 1, 2010, and accepted for filing.

10 This Revised Incorrect Reduction Claim

11 The Controller issued a revised final audit report on August 24, 2012. The
12 revised final audit report is attached as Exhibit “A.” The revised final audit report
13 constitutes a new and separate demand for repayment and an adjudication of the
14 claim. The Controller’s revised audit report transmittal letter dated August 24, 2012,
15 states that the District may file a revised incorrect reduction claim if the District
16 disagrees with the audit findings, and there is no other dispute resolution process. Title
17 2, CCR, Section 1185 (b), requires incorrect reduction claims to be filed no later than
18 three years following the date of the Controller’s action. There are no regulations
19 specific to “revised” incorrect reduction claims, but the District infers the same three-
20 year period of limitations would be applicable for filing a “revised” incorrect reduction
21 claim in response to a “revised” audit report. Thus, this “revised” incorrect reduction

Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

1 claim is timely filed.

2 PART II. SUMMARY OF THE CLAIM

3 The Controller conducted a field audit of the District's annual reimbursement
4 claims, for Fiscal Years 2003-04, 2004-05, 2005-06 and 2006-07, for the costs of
5 complying with the legislatively mandated program 498/83 Notification of Truancy.

6 Original Final Audit Report Dated February 5, 2010

7 As a result of the audit, the Controller determined that \$326,088 of the claimed costs
8 were unallowable:

9	Fiscal	Amount	Audit	SCO	Amount Due
10	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u><State> District</u>
11	2003-04	\$244,101	\$ 33,358	\$244,101	<\$ 33,358>
12	2004-05	\$272,234	\$ 38,599	\$272,234	<\$ 38,599>
13	2005-06	\$243,123	\$ 27,708	\$ 0	\$215,415
14	2006-07	<u>\$226,423</u>	<u>\$226,423</u>	<u>\$ 46,437</u>	<u><\$ 46,437></u>
15	Totals	\$985,881	\$326,088	\$562,772	\$ 97,021

16 The audit report states that the District was paid \$562,772 for these annual claims and
17 concludes that the amount of \$97,021 is due to the District.

18 Revised Final Audit Report Dated August 24, 2012

19 As a result of the first revised final audit report, the Controller determined that
20 \$127,968 of the claimed costs were unallowable:

21 /

22 /

Revised Incorrect Reduction Claim of Riverside Unified School District
 498/83 Notification of Truancy-2nd Audit (Revised)

1	Fiscal	Amount	Audit	SCO	Amount Due
2	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u><State> District</u>
3	2003-04	\$244,101	\$ 33,358	\$210,743	\$ 0
4	2004-05	\$272,234	\$ 38,599	\$233,635	\$ 0
5	2005-06	\$243,123	\$ 27,708	\$215,415	\$ 0
6	2006-07	<u>\$226,423</u>	<u>\$ 28,303</u>	<u>\$ 0</u>	<u>\$198,120</u>
7	Totals	\$985,881	\$127,968	\$659,793	\$198,120

8 The revised audit report states that the District was paid \$ 659,793 for these claims and
 9 determined that the District is owed \$198,120.

10 **PART III. PREVIOUS INCORRECT REDUCTION CLAIMS**

11 **FIRST AUDIT:** The District previously filed an incorrect reduction claim for this
 12 mandate program for Fiscal Years 1999-00, 2000-01, and 2001-02 on June 16, 2006.
 13 The District filed a revised incorrect reduction claim for those fiscal years on August 26,
 14 2008, in response to a revised audit report dated December 12, 2007. The District filed
 15 a second revised incorrect reduction claim for those fiscal years on September 13,
 16 2010, in response to a second revised audit report dated February 5, 2010. On April 8,
 17 2013, the Controller issued a third revised audit report. The District determined that
 18 there were no issues remaining in dispute and withdrew the original and two revised
 19 incorrect reduction claims for the first audit by separate written notice to the
 20 Commission, dated October 1, 2013.

21 /

Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

1 SECOND AUDIT: The District previously filed an incorrect reduction claim for this
2 mandate program for Fiscal Years 2003-04, 2004-05, 2005-06 and 2006-07 on
3 November 1, 2010. This revised incorrect reduction claim is the result of a revised
4 Controller's audit report dated August 24, 2012.

5 The District is not aware of any incorrect reduction claims having been
6 adjudicated on the specific issues or subject matter raised by this incorrect reduction
7 claim.

8 PART IV. BASIS FOR REIMBURSEMENT

9 No change.

10 PART V. STATE CONTROLLER CLAIM ADJUDICATION

11 On February 5, 2010, the Controller issued the original audit of the District's
12 annual reimbursement claims for Fiscal Years 2003-04, 2004-05, 2005-06 and 2006-
13 07. A copy of the original audit report is included in the original incorrect reduction
14 claim. On August 24, 2012, the Controller issued the revised final audit report. A copy
15 of the revised audit report is attached as Exhibit "A."

16 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

17 The District submitted its original incorrect reduction claim on November 1,
18 2010, in response to the original final audit report dated February 5, 2010. As a result
19 of the incorrect reduction claim, the Controller's revised final audit report dated August
20 24, 2012, modified Finding 3 "Noncompliant initial truancy notifications."

21 /

Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

1 48264 arrest of minors, was not included. The revised audit report pro-rates the
2 adjustment to 12.5% of the total cost, which is satisfactory to the District. This finding
3 and fiscal year is not included in the extrapolation of the statistical sample.

4 **Amount Paid by The State**

5 This issue was not an audit finding. The amount of payments received from the
6 state is an integral part of the reimbursement calculation. The Controller changed
7 some of the claimed payment amounts received without a finding in the original or
8 revised audit report.

	Fiscal Year of Claim			
<u>Amount Paid by the State</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
11 As Claimed	\$ 0	\$ 0	\$ 0	\$ 0
12 Audit Report	\$244,101	\$272,234	\$ 0	\$ 46,437
13 Revised Audit Report	\$210,743	\$233,635	\$215,415	\$ 0

14 The propriety of these adjustments cannot be determined until the Controller
15 documents the reason for the changes.

16 **PART VIII. RELIEF REQUESTED**

17 The District filed its annual reimbursement claims within the time limits
18 prescribed by the Government Code. The amounts claimed by the District for
19 reimbursement of the costs of implementing the program imposed by Chapter 498,
20 Statutes of 1983, Notification of Truancy, and relevant Education Code Sections,
21 represent the actual costs incurred by the District to carry out this program. These

Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

1 costs were properly claimed pursuant to the Commission's parameters and guidelines.
2 Reimbursement of these costs is required under Article XIII B, Section 6 of the California
3 Constitution. The Controller's adjustments deny reimbursement without any basis in
4 law or fact. The District has met its burden of going forward on this claim by complying
5 with the requirements of Section 1185, Title 2, California Code of Regulations.
6 Because the Controller has enforced and is seeking to enforce these adjustments
7 without benefit of statute or regulation, the burden of proof is now upon the Controller to
8 establish a legal basis for these actions.

9 The District requests that the Commission make findings of fact and law on each
10 and every adjustment made by the Controller and each and every procedural and
11 jurisdictional issue raised in this claim, and order the Controller to correct the audit
12 report findings therefrom.

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Revised Incorrect Reduction Claim of Riverside Unified School District
498/83 Notification of Truancy-2nd Audit (Revised)

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PART IX. CERTIFICATION

By my signature below, I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief, and that the attached documents are true and correct copies of documents received from or sent by the state agency which originated the document.

Executed on October 29, 2013, at Riverside, California, by

Michael H. Fine

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations
Riverside Unified School District
3380 Fourteenth Street
Riverside, CA 92501
Voice: 951-788-7135 x80423
Fax: 951-778-5668
email: mfine@rusd.k12.ca.us

PART X. APPOINTMENT OF REPRESENTATIVE

Riverside Unified School District appoints Keith B. Petersen, President, SixTen and Associates, as its representative for this incorrect reduction claim.

Michael H. Fine

10/29/13

Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations
Riverside Unified School District

Date

Attachments:

Exhibit "A": Controller's revised audit report dated August 24, 2012

The original incorrect reduction claim and its attached documents are available to the public at the Commission on State Mandates web site:
<http://www.csm.ca.gov/pendingclaims/nt8.shtml>

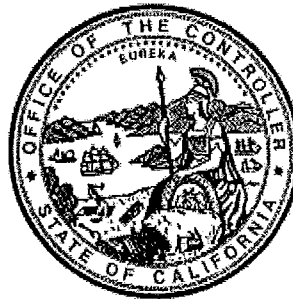
RIVERSIDE UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

August 2012



JOHN CHIANG
California State Controller

August 24, 2012

Gayle Cloud, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

This revised final report supersedes our previous report dated February 5, 2010. Our original report did not allow reimbursement for initial truancy notifications that did not comply with the program's parameters and guidelines. We revised Finding 3 to allow partial reimbursement for the fiscal year 2006-07 notifications that the district distributed. As a result, allowable costs increased by \$198,120 for the audit period.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

The district previously filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) on November 1, 2010. The district may file an amended IRC based on this revised final audit report. 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 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: Richard L. Miller, Ph.D., Superintendent
Riverside Unified School District
Michael H. Fine, Deputy Superintendent
Business Services and Governmental Relations
Riverside Unified School District
Timothy Walker, Executive Director of Pupil Services/SELPA
Riverside Unified School District
Annette Alvarez, Fiscal Services Manager
Riverside Unified School District
Gerald P. Colapinto, President
Board of Education
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Official	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations.....	6
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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. Except for the following issue, 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 were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

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, the Riverside Unified School District claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$210,743 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$233,635 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State paid the district \$215,415 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit disclosed that \$198,120 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 20, 2009. Michael H. Fine, Deputy Superintendent, responded by letter dated December 14, 2009 (Attachment). The district disagreed with Findings 2 and 3, and stated that it does not dispute Finding 1 at this time. We issued the final audit report on February 5, 2010.

Subsequently, we revised our audit report to allow partial reimbursement for non-compliant initial truancy notifications that the district distributed in FY 2006-07. We revised Finding 3 to reduce unallowable costs from \$226,423 to \$28,303. We advised Annette Alvarez, Fiscal Services Manager, of the revision.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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

August 24, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	17,943	15,501	(2,442)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total costs ²	\$ 245,101	\$ 211,743	\$ (33,358)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 244,101</u>	210,743	<u>\$ (33,358)</u>	
Less amount paid by the State		(210,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	19,134	16,431	(2,703)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total costs	\$ 273,234	\$ 234,635	\$ (38,599)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 272,234</u>	233,635	<u>\$ (38,599)</u>	
Less amount paid by the State		(233,635)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	15,645	13,862	(1,783)	Finding 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 243,123</u>	\$ 215,415	<u>\$ (27,708)</u>	
Less amount paid by the State ³		(215,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	14,020	14,020	—	
Uniform cost allowances	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 226,423	\$ 226,423	\$ —	
Noncompliant initial truancy notifications	—	(28,303)	(28,303)	Finding 3
Total program costs	<u>\$ 226,423</u>	\$ 198,120	<u>\$ (28,303)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total costs	\$ 987,881	\$ 859,913	\$ (127,968)	
Less late claim penalty	<u>(2,000)</u>	<u>(2,000)</u>	<u>—</u>	
Total program costs	<u>\$ 985,881</u>	857,913	<u>\$ (127,968)</u>	
Less amount paid by the State		<u>(659,793)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

¹ See the Revised Findings and Recommendations section.

² Calculation differences due to rounding.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Revised Findings and Recommendations

**FINDING 1—
Unsupported initial
truancy notifications
claimed**

The district claimed \$799 in unsupported initial truancy notifications for fiscal year (FY) 2003-04 and FY 2004-05 because attendance records did not support the number of initial truancy notifications claimed.

For FY 2003-04 and FY 2004-05, the district claimed 17,943 and 19,134 initial truancy notifications, respectively. However, its attendance records supported only 17,919 and 19,101 notifications, respectively, for the same fiscal years. The overstated number of truancy notifications totaled 57.

The following table summarizes the unsupported initial truancy notifications claimed:

	Fiscal Year		Total
	2003-04	2004-05	
Number of elementary school initial notifications documented	9,214	9,395	
Number of secondary school initial notifications documented	8,705	9,706	
Total number of initial truancy notifications documented	17,919	19,101	
Less number of initial truancy notifications claimed	(17,943)	(19,134)	
Overstated number of initial truancy notifications	(24)	(33)	(57)
Uniform cost allowance	× \$13.66	× \$14.28	
Audit adjustment	\$ (328)	\$ (471)	\$ (799)

The program’s parameter’s and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform cost allowance and the number of eligible initial truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District’s Response

This finding adjusts the total notifications claimed to the number of audited notifications “supported” by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district overstated allowable initial truancy notifications by \$98,866 during the audit period. This amount is net of the adjustment in Finding 1 totaling \$799 in costs claimed that were not supported by the district's attendance records and \$5,237 of reimbursable elementary school costs the district did not claim for FY 2005-06.

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district's attendance records supported 454 more initial truancy notifications than it claimed for Harrison and Hawthorne Elementary Schools.

The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups for each year. For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes unallowable initial truancy notifications claimed:

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(36)	(40)	(38)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage Population sampled ¹	(24.32)% × 9,214	(27.03)% × 9,395	(25.85)% × 7,562	
Extrapolated number of unallowable initial truancy notifications	(2,241)	(2,539)	(1,955)	
Uniform cost allowance	×\$13.66	×\$14.28	×\$15.54	
Unallowable costs, elementary schools	<u>\$(30,612)</u>	<u>\$(36,257)</u>	<u>\$(30,381)</u>	\$ (97,250)

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Secondary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(3)	(2)	(3)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(2.03)%	(1.35)%	(2.04)%	
Population sampled ¹	× 8,705	× 9,706	× 8,083	
Extrapolated number of unallowable initial truancy notifications	(177)	(131)	(165)	
Uniform cost allowance	×\$13.66	×\$14.28	× \$15.54	
Unallowable costs, secondary schools	\$ (2,418)	\$ (1,871)	\$ (2,564)	(6,853)
Audit adjustment, unallowable initial truancy notifications claimed	<u>\$(33,030)</u>	<u>\$(38,128)</u>	<u>\$(32,945)</u>	<u>\$(104,103)</u>

¹ Net of unsupported trancies identified in Finding 1. For FY 2005-06, the population of elementary schools sampled totaled 8,016 (7,562 claimed and 454 unclaimed).

The following table summarizes unclaimed allowable initial truancy notifications:

	Fiscal Year 2005-06
<u>Elementary Schools</u>	
Understated number of initial truancy notifications	454
Allowable percentage	× 74.15%
Extrapolated number of unclaimed allowable initial truancy notifications	337
Uniform cost allowance	× \$15.54
Audit adjustment, unclaimed initial truancy notifications	<u>\$ 5,237</u>

The following table summarizes the unallowable initial truancy notifications claimed net of unclaimed notifications:

	Fiscal Years			Total
	2003-04	2004-05	2005-06	
Audit adjustment, unallowable initial truancy notifications claimed	\$ (33,030)	\$ (38,128)	\$ (32,945)	\$ (104,103)
Audit adjustment, unclaimed initial truancy notifications	—	—	5,237	5,237
Total audit adjustment	<u>\$ (33,030)</u>	<u>\$ (38,128)</u>	<u>\$ (27,708)</u>	<u>\$ (98,866)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For the audit period, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006. Therefore, for the audit period, an initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate three or more unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

District's Response

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

Audit by Sampling

The district concludes that the SCO based its audit finding on the “wrong standard for review” and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district’s records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, “The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

The SCO did, in fact, conclude that the district’s claim was excessive. “Excessive” is defined as “exceeding what is usual, *proper*, *necessary* [emphasis added], or normal.”¹ The district’s mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district believes that the sample results may not be representative of the universe because the audit sample included kindergarten students, who are more likely to be excluded due to the under-age issue. The district also states that the possibility that a special education student is under-age or over-age is “greater than [that of] the entire student body,” and the inclusion of special education students in the tested sample is “non-representative of the universe.” In fact, the opposite is true. An appropriate random, statistical sample may include some kindergarten and special education students because those students are part of the truancy population. The district’s response provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.

Number of Absences Required for the Initial Notification

The district does not distinguish between its statutory responsibility and mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program’s parameters and

¹ Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

guidelines. For the audit period (excluding FY 2006-07), the parameters and guidelines state that an initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district, and all other California school districts, failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

Age of Student

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

FINDING 3— Noncompliant initial truancy notifications

The district claimed unallowable costs totaling \$28,303. The costs are unallowable because the district distributed initial truancy notifications in FY 2006-07 that did not contain all eight items required by the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.

7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item listed above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year <u>2006-07</u>
Number of noncompliant initial truancy notifications	14,020
Uniform cost allowance	× \$16.15
Subtotal	<u>226,423</u>
Unallowable percentage	× (12.5)%
Audit adjustment	<u>\$ (28,303)</u>

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

District's Response

The draft audit report states in the "Background" section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

SCO's Comment

Subsequent to our final audit report issued February 5, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district asserts that it was not "on notice" of the retroactive effect to FY 2006-07, as the program's parameters and guidelines were amended on January 31, 2008. We disagree. Chapter 1023, Statutes of 1994, required the district to notify parents/guardians of the eight specific items noted in this audit finding. Therefore, the district has been "on notice" of its statutory obligation since that time. The recent amendment to the parameters and guidelines simply aligns these guidelines with the Education Code for mandate-reimbursement purposes.

The district agrees that its FY 2006-07 initial truancy notification is missing a required element, as it does not state "the pupil may be subject to prosecution under Education Code section 48264." Nevertheless, the district believes it should be reimbursed because its notification "more than substantially complies with Education Code Section 48260.5." In addition, the district believes that our reference to Education Code section 48264 is "substantively insignificant" because enforcement under the section is not dependent on the number of unexcused absences that the pupil accumulates. We disagree on both counts. The parameters and guidelines do not provide reimbursement for "substantial compliance." In addition, the matter of when a district may enforce the provisions of Education Code section 48264 is irrelevant. The parameters and guidelines require that initial truancy notifications include the information provided in Education Code section 48260.5, subdivision (f). The district's notifications did not include the required information; therefore, only a prorated portion of the unit cost allowance is allowable.

**OTHER ISSUE—
Public records
request**

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

SCO's Comment

The SCO provided the district the requested records by separate letter dated January 26, 2010.

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

BOARD OF EDUCATION
Mr. Lewis Vandersyl
President
Mr. Tom Hunt
Vice President
Mrs. Gayle Cloud
Clerk
Mrs. Kathy Allave
Charles L. Beatty Ph.D.

Riverside Unified School District

ADMINISTRATION BUILDING
3360 LITHIUM STREET - P. O. BOX 2860
RIVERSIDE, CALIFORNIA 92516
OFFICE OF THE SUPERINTENDENT
(951) 786-3133
FAX: (951) 778-5668

Richard L. Miller, Ph.D.
District Superintendent

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 14, 2009

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 2003-04, 2004-05, 2005-06, 2006-07
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated November 20, 2009, and received by the District on December 1, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2003 through June 30, 2007.

FINDING 1 - Unsupported initial truancy notifications claimed

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

FINDING 2- Non-reimbursable initial truancy notifications claimed

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$98,866 for FY 2003-04, FY 2004-05, and FY 2005-06. There is no adjustment in this finding for FY 2006-07 as a result of Finding 3.

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth

absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

FINDING 3- Noncompliant initial truancy notifications

The draft audit report disallows all (\$226,423) of the FY 2006-07 notices as noncompliant with Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. The draft audit states that effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms with the eight notice elements.

The draft audit report states in the "Background" section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

Jim L. Spano, Chief
Mandated Cost Audits Bureau
December 14, 2009
Page 4

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations

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

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

S09-MCC-034

FILING A CLAIM

RECEIVED
December 16, 2013
*Commission on
State Mandates*

1. Introduction

The law in the State of California, (GC Sections 17500 through 17617), provides for the reimbursement of costs incurred by school districts for costs mandated by the State. Costs mandated by the State means any increased costs which a school district is required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A 10 percent penalty, up to \$1,000 for continuing claims, no limit for initial claims, is assessed for late claims. The SCO may audit the records of any school district to verify the actual amount of mandated costs and may reduce any claim that is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission on State Mandates (COSM) may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

2. Types of Claims

There are three types of claims: Reimbursement, Estimated, and Entitlement. A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable. The claim must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the instructions for the program. The certification of claim, form FAM-27, must be signed and dated by the entity's authorized officer in order for the SCO to make payment on the claim.

A. Reimbursement Claim

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a local agency for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. The claim must include supporting documentation to substantiate the costs claimed.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal years of a program that was previously unfunded. Claims are due 120 days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual reimbursement claims must be filed by January 15 following the fiscal year in which costs were incurred for the program. A reimbursement claim must detail the costs actually incurred in the prior fiscal year.

An actual claim for the 2003-04 fiscal year may be filed by January 15, 2005, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$1,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

B. Estimated Claim

An estimated claim is defined in GC Section 17522 as any claim filed with the SCO, during the fiscal year in which the mandated costs are to be incurred by the school districts and county superintendent of schools, against an appropriation made to the SCO for the purpose of paying those costs.

An estimated claim may be filed in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times for estimated costs to be incurred during the current fiscal year. Annual estimated claims are due January 15 of the fiscal year in which the costs are to be incurred. Initial estimated claims are due on the date specified in the claiming instructions. Timely filed estimated claims are paid before those filed after the deadline.

After receiving payment for an estimated claim, the claimant must file a reimbursement claim by January 15 following the fiscal year in which costs were incurred. If the claimant fails to file a reimbursement claim, monies received for the estimated claims must be returned to the State.

C. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by a school district and county superintendent of schools with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by January 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed in Section 2, number 6.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for

changes in the implicit price deflator of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

A base year entitlement is determined by computing an average of the claimant's costs for any three consecutive years after the program has been approved for the SMAS process. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years, which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

3. Minimum Claim Amount

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

4. Filing Deadline for Claims

Initial reimbursement claims (first-time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within 120 days from the date of issuance of the program's claiming instructions by the SCO. If the initial reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% penalty. A claim filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for costs incurred during the previous fiscal year and estimated claims for costs to be incurred during the current fiscal year must be filed with the SCO and postmarked on or before January 15. If the annual or estimated reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$1,000. Claims must include supporting data to show how the amount claimed was derived. Without this information, the claim cannot be accepted.

Entitlement claims do not have a filing deadline. However, entitlement claims and supporting documents should be filed by January 15 to permit an orderly processing of claims. Entitlement claims are used to establish a base year entitlement amount for calculating automatic annual payments. Entitlement does not result in the claimant being reimbursed for costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

5. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer.

Reimbursement and estimated claims are paid within 60 days of the filing deadline for the claim, or 15 days after the date the appropriation for the claim is effective, whichever is later. A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. The SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs. The 20 percent withheld is not subject to accrued interest.

In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the COSM which will include these amounts in its report to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. When the supplementary funds are made available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or parameters and guidelines, the determination of allowable and unallowable costs for mandates is based on the Parameters and Guidelines adopted by the COSM. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the Parameters and Guidelines.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's Parameters and Guidelines. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops general education, and travel costs.

6. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the COSM.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each county that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and

1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the Implicit Price Deflator (IPD), which is applied separately to each year's costs for the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

Each school district with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and average daily attendance.

In the event a school district has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the school district may file an entitlement claim for each of those missed years to establish a base year entitlement. An "entitlement claim" means any claim filed by a school district with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the school district determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based is set forth in GC Section 17615.8 and requires the approval of the COSM.

School Mandates Included in SMAS

Program Name	Chapter/Statute	Program Number
Immunization Records	Ch. 1176/77	32

Pupil Expulsion Transcripts, program #91, Chapter 1253/75 was removed from SMAS for the 2002-03 fiscal year. This program was consolidated with other mandate programs that are included in Pupil Suspension, Expulsions, and Expulsion Appeals, program #176.

7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Each claimed reimbursable cost must be supported by documentation as described in Section 12. Costs that are typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A school district may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claim must include a computation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1 Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099)] \div 1,800 \text{ hrs} = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to EAS, multiply the biweekly salary by 26. To convert a monthly salary to EAS, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2 Productive Hourly Rate, Percent of Salary Method

Example:		
Step 1: Fringe Benefits as a Percent of Salary		Step 2: Productive Hourly Rate
Retirement	15.00 %	Formula: $[(EAS \times (1 + FBR)) \div APH] = PHR$ $[(\$26,000 \times (1.3115)) \div 1,800] = \18.94
Social Security & Medicare	7.65	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
Total	31.15 %	
Description:		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
FBR = Fringe Benefit Rate		PHR = Productive Hourly Rate

- As illustrated in Table 3, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances where the parameters and guidelines allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3 Calculating an Average Productive Hourly Rate

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hrs	\$6.00	\$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		\$45.88
Average Productive Hourly Rate is \$45.88/5.50 hrs. = \$8.34			

(d) Employer's Fringe Benefits Contribution

A school district has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00%
Social Security	7.65%
Health and Dental	
Insurance	5.25%
Worker's Compensation	0.75%
Total	<u>28.65%</u>

(e) Materials and Supplies

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity and cost. Purchases in excess of reasonable quality, quantity and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates and allowances received by local agencies.

(f) Calculating a Unit Cost for Materials and Supplies

In those instances where the parameters and guidelines suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

Table 1 Calculating A Unit Cost for Materials and Supplies

Supplies	<u>Cost Per Unit</u>	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper	0.02	4	\$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	<u>0.40</u>
			<u>\$0.64</u>

Table 2 Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u><u>\$9.50</u></u>
<p>If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (\$9.50 / 25).</p>		

(g) Contract Services

The cost of contract services is allowable if the school district lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the parameters and guidelines for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the parameters and guidelines for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the prorata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the parameters and guidelines specify them as allowable. If they are allowable, the parameters and guidelines for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the prorata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the parameters and guidelines may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure

and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

School districts and county superintendents of schools may use the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by direct costs not included in total support services EDP No. 422 of the J-380 or J-580. When applying the rate, multiply the rate by mandated direct costs not included in either (1) total support services, EDP No. 422 of the J-380 or J-580, or (2) indirect costs on Form ICR of the California Department of Education's SACS Financial Reporting Software. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

9. Time Study Guidelines

Background

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing local agency and school district costs mandated by the state" that meets certain conditions specified in GC Section 17518.5(a). For costs incurred prior to January 1, 2005, time study can only substitute for continuous records of actual time spent for a specific fiscal year if the program's Parameters and Guidelines (Ps & Gs) allows for the use of time studies.

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study, which are described below. Application of time study results is restricted. As explained in Time Study Results below, the results may be projected forward a maximum of two years provided the claimant meets certain criteria.

Actual Time Reporting

Parameters and Guidelines define reimbursable activities for each mandated cost program. (Some Ps & Gs refer to reimbursable activities as reimbursable components.) When employees work on

multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which clarify documentation requirements discussed under the Reimbursable Activities section of recent Ps & Gs):

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

A time study plan is necessary before conducting the time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year, and that the results can be reasonably projected to approximate actual costs.
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's Ps & Gs, which are derived from the program's Statement of Decision. If a reimbursable activity in the Ps & Gs identifies separate and distinct subactivities, these subactivities must also be treated as individual activities.

For example, subactivities (a), (b), and (c) under reimbursable activity (B)(1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. These subactivities do not have to be separately studied.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity.
- Employee universe – The employee universe used in the time study must include all positions whose salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.

- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable in situations where employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activity on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence which validates that the work was actually performed. As with actual time reporting, budget estimates or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Time study results must be summarized to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained.

Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period July 1, 2004, through December 31, 2004, unless (1) the program's Ps & Gs specifically allow time studies, and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims –When filing an initial claim for new mandated programs, claimants may only use time study results for costs incurred on or after January 1, 2005. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's Ps & Gs specifically allow time studies, and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain corroborating evidence that validates the mandated activity was actually performed. Time study results used to support subsequent years' claims are subject to the recordkeeping requirements for those claims.

10. Offset Against State Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC Section 17561.

Example 1:

As illustrated in Table 5, this example shows how the "Offset against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

Table 5 Offset Against State Mandates, Example 1

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims is the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500, and claimable costs are \$0.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

Example 2:

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

Table 6 Offset Against State Mandates, Example 2

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

** School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims is \$1,125. Therefore, the claimable mandated costs are \$375.

Federal and State Funding Sources

State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

11. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

12. Audit of Costs

All claims submitted to the State Controller's Office (SCO) are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the Ps & Gs adopted by the COSM. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to

initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

On-site audits will be conducted by the SCO as deemed necessary. Accordingly, all documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or amended regardless of the year of costs incurred. When no funds are appropriated for initial claims at the time the claim is filed, supporting documents must be retained for three years from the date of initial payment of the claim. Claim documentation shall be made available to the SCO on request.

13. Source Documents

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing local agency and school district costs mandated by the state" that meets certain conditions specified in 17518.5(a). For costs incurred prior to January 1, 2005, time study can substitute for continuous records of actual time spent for a specific fiscal year only if the program's Ps & Gs allow for the use of time studies.

14. Claim Forms and Instructions

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

A. Form-2, Component/Activity Cost Detail

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than three years after the reimbursement claim was filed or last amended.

B. Form-1, Claim Summary

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

School districts and county superintendents of schools may compute the amount of indirect costs using the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data applicable to the fiscal year of the claim.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the school district. All applicable information from Form-1 must be carried forward onto this form in order for the SCO to process the claim for payment. An original and one copy of the FAM-27 is required.

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment, and all other forms and supporting documents (**To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**) Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual and the old forms they replace should be removed. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, or send e-mail to lrsdar@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

16. Retention of Claim Records and Supporting Documentation

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the COSM's P's and G's. If any adjustments are made to a claim, a "Notice of Claim Adjustments" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was

filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2004-12

ANNUAL REVISIONS - SCHOOL DISTRICTS

SEPTEMBER 30, 2004

Government Code Section (GC §) 17561 provides for the reimbursement of state mandated costs. Enclosed is information for updating the Mandated Cost Manual for Schools. The manual contains all forms and instructions that are necessary for school districts to file 2004-05 fiscal year annual claims with the State Controller's Office (SCO).

Estimated claims for costs to be incurred during the 2004-05 fiscal year and reimbursement claims detailing the costs actually incurred in the 2003-04 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before January 15, 2005.** If the reimbursement claim is filed after the deadline, but by January 15, 2006, the approved claim will be reduced by a late penalty of 10% for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$1,000. In order for a claim to be considered properly filed, the claim must include supporting documentation as specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline or without supporting documentation.

Amounts appropriated for payment of program costs are shown beginning on page 5 under "Appropriations for the State Mandated Cost Programs for the 2004-05 Fiscal Year." The fiscal years for which costs can be claimed for a mandated cost program are shown beginning on page 8 under "Reimbursable State Mandated Costs Programs." To prepare 2004-05 estimated claims and 2003-04 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

Claims should be rounded to the nearest dollar. Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

MINIMUM CLAIM COST

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. Combined claims may be filed only when the county superintendent of schools is the fiscal agent for the school districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

ESTIMATED CLAIMS

Unless otherwise specified in the claiming instructions, claimants do not have to provide cost schedules and supporting documents with the estimated claim if the estimated amount does not exceed the prior fiscal year's actual costs by more than 10%. The claimant can simply enter the estimated amount on form FAM-27, line (07). However, if the estimated claim exceeds the prior fiscal year's actual costs by more than 10%, the claimant must complete claim forms as specified in the claiming instructions for the program and explain the reason for the increased costs. If the explanation to support the higher estimate is not provided, the claim will automatically be adjusted to 110% of the prior fiscal year's actual costs.

PROGRAM UPDATES FOR 2003-04 FISCAL YEAR

Ch. 486/75, Mandate Reimbursement Process

Ch. 486/75, Mandate Reimbursement Process, provides reimbursement for the cost of: (1) preparing and presenting successful test claims, and (2) preparing and submitting successful reimbursement claims to the SCO. With respect to preparing and submitting claims to the SCO, the 2003 State Budget Act (Chapter 157, Statutes of 2003) imposed in the 2003-04 fiscal year the same limitations as those imposed since the 1995-96 fiscal year. Claiming instructions and forms for Chapter 486/75, Mandate Reimbursement Process, were issued separately and are not included in this revision. Limitations on reimbursement for independent contractor costs are as follows:

“If a school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the school district.

The maximum amount of reimbursement provided (in the above provision) may be exceeded only if the school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without incurring the additional costs claimed by the school district”.

Updates of Rates and Factors

The following rates are to be used for filing 2003-04 reimbursement claims. These rates are computed by adjusting the 2002-03 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of August 2004, National Deflators, State and Local Purchases. The estimated change in the IPD for 2003-04 is 2.5%. For preparing the 2004-05 estimated claims, districts may use the program's 2003-04 rate or increase the 2003-04 rate by the estimated 2004-05 IPD change of 2.1% to determine 2004-05 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- *Ch. 448/75, Annual Parent Notification III (Program No. 221)*

The 2003-04 unit rate is \$0.0667 per page of printed notification material distributed to parents and guardians, and \$0.2653 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2003-04 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is 3.411.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2003-04 maximum reimbursement hourly rate for contract services is \$116.81. Staffing cost reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class. The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2003-04 unit rate is \$5.40 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by the SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance from the previous fiscal year.

Once the district has filed actual costs for 1989-90, through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2003-04 unit rate is \$6.78 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California. And \$3.55 per student in the seventh grade.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2003-04 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$38.17 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$27.14 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2003-04 unit cost reimbursement is \$13.66 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents/guardians, and associated record keeping.

- *Ch. 641/86, Open Meetings Act/Brown Act Reform II (Program No. 218)*

The 2003-04 uniform cost allowance is \$119.28 per meeting. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 668/78, Pupil Exclusions (Program No. 165)*

The 2003-04 unit cost reimbursement is \$0.1919 per page for the cost of including specific information in the notice of pupil exclusion to the parents or guardian. The unit cost rate covers all costs (direct and indirect) of performing activities required by subparagraph (2), (3), and (4), of Education Code Section 48213.

- *Ch. 1347/80, Scoliosis Screening (Program No. 58)*

The 2003-04 unit cost rate is \$6.48 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

FINAL FILING DEADLINE FOR 2003-04 FISCAL YEAR CLAIMS

The final filing deadline for 2003-04 reimbursement claims is **January 15, 2005**. A late penalty of 10% of the approved claim will be applied to 2003-04 claims filed after January 15, 2005. **Claims filed after January 15, 2006, will not be accepted.**

APPROPRIATIONS FOR THE 2004-05 FISCAL YEAR

Source of State Mandated Cost Appropriations - 2004 State Budget Act (Chapter 208/04)

Schedule	Program	Amount Appropriated
Item 6110-295-0001		
(1) Chapter 36/77	Annual Parent Notification III	\$1,000
(2) Chapter 98/94	Caregiver Affidavits	1,000
(3) Chapter 161/93	Intradistrict Attendance	1,000
(4) Chapter 486/75	Mandate Reimbursement Process	1,000
(5) Chapter 498/83	Graduation Requirements	1,000
(6) Chapter 498/83	Notification of Truancy	1,000
(7) Chapter 498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
(8) Chapter 641/86	Open Meetings Act	1,000
(9) Chapter 668/78	Pupil Exclusions	1,000
(10) Chapter 781/92	Charter Schools	1,000
(11) Chapter 783/95	Investment Reports	0 ²
(12) Chapter 799/80	PERS Death Benefits	1,000 ¹
(13) Chapter 818/91	AIDS Prevention Instruction	1,000
(14) Chapter 961/75	Collective Bargaining	1,000
(15) Chapter 965/77	Pupil Classroom Suspension: Counseling	1,000
(16) Chapter 1208/76	Pupil Health Screenings	1,000
(17) Chapter 975/95	Physical Performance Tests	1,000
(18) Chapter 1011/84	Juvenile Court Notices II (Ch. 1423, Stats. 1984)	1,000
(19) Chapter 1107/84	Removal of Chemicals	1,000
(20) Chapter 1117/89	Law Enforcement Agency Notifications	1,000
(21) Chapter 1176/77	Immunization Records	1,000
(22) Chapter 1184/75	Habitual Truants	1,000
(23) Chapter 1253/75	Expulsion Transcripts	1,000
(24) Chapter 1284/88	Pupil Suspensions: Parents Classroom Visits	1,000
(25) Chapter 1306/89	Notification to Teachers of Public Expulsion	1,000
(26) Chapter 1347/80	Scoliosis Screening	1,000
(27) Chapter 1398/74	PERS Unused Sick Leave Credit	1,000 ¹
(28) Chapter 1463/89	School Accountability Report Cards	1,000
(29) Chapter 1659/84	Emergency Procedures	1,000
(30) Chapter 778/96	American Government Course Documents Requirements	1,000
(31) Chapter 309/95	Pupil Residency Verification and Appeals	1,000
(32) Chapter 588/97	Criminal Background Checks	1,000
(33) Chapter 759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)	0 ²

¹ Funds appropriated in nos. 12 and 27 are for transfer to the Public Employees' Retirement System for reimbursement of cost incurred pursuant to 799/80 or 1398/74.

² These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

APPROPRIATIONS FOR THE 2004-05 FISCAL YEAR

Source of State Mandated Cost Appropriations-2004 State Budget Act (Chapter 208/04) (con't.)

Schedule	Program	Amount Appropriated
Item 6110-295-0001		
(34) Chapter 624/92	School Bus Safety I and II (Ch. 831, Stats. 1994; Ch. 739, Stats. 1997)	0 ²
(35) Chapter 465/76	Peace Officers Procedural Bill of Rights	1,000
(36) Chapter 36/77	Financial and Compliance Audits	1,000
(37) Chapter 640/97	Physical Education Reports	1,000
(38) Chapter 1120/96	Health Benefits for Survivors of Peace Officers and Firefighters	1,000
(39) Chapter 917/87	County Office of Education Fiscal Accountability Reporting	1,000
(40) Chapter 650/94	Employee Benefits Disclosure	1,000
(41) Chapter 100/81	School District Fiscal Accountability Reporting	1,000
(42) Chapter 875/85	Photographic Record of Evidence	1,000
(43) Chapter 126/93	Law Enforcement Sexual Harassment Training	0 ²
(44) Chapter 784/95	County Treasury Oversight Committee	0 ²
Total Appropriations, Item 6110-295-001		<u><u>\$39,000</u></u>

² These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

REIMBURSABLE STATE MANDATED COST PROGRAMS

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2003-04 Reimburse- ment Claims	2004-05 Estimated Claims	School Districts and County Offices of Education	
x	x	Ch.	77/78 Absentee Ballots
x	x	Ch.	818/91 AIDS Prevention Instruction II
x	x	Ch.	778/96 American Government Course Document Requirements
x	x	Ch.	36/77 Annual Parent Notification III
x	x	Ch.	855/97 Attendance Accounting
x	x	Ch.	98/94 Caregiver Affidavits
x	x	Ch.	34/98 Charter Schools II
x	x	Ch.	917/87 COE Fiscal Accountability Reporting
x	x	Ch.	961/75 Collective Bargaining
x	N/A ¹	Ch.	784/95 County Treasury Oversight Committee
x	x	Ch.	588/97 Criminal Background Checks I
x	x	Ch.	594/98 Criminal Background Checks II
x	x	Ch.	30/98 Differential Pay and Reemployment
x	x	Ch.	1659/84 Emergency Procedures, Earthquake Procedures and Disasters/ Comprehensive School Safety Plans
x	x	Ch.	650/94 Employee Benefits Disclosure
x	x	Ch.	1253/75 Expulsion Transcripts
x	x	Ch.	36/77 Financial and Compliance Audits
x	x	Ch.	498/83 Graduation Requirements
x	x	Ch.	1170/96 Grand Jury Proceedings
x	x	Ch.	1184/75 Habitual Truant
x	x	Ch.	1120/96 Health Benefits for Survivors of Peace Officers & Firefighters
x	x	Ch.	1176/77 Immunization Records
x	x	Ch.	325/78 Immunization Records: Hepatitis B
x	N/A ¹	Ch.	172/86 Interdistrict Attendance Permits
x	N/A ¹	Ch.	172/86 Interdistrict Transfer Requests: Parent's Employment
x	x	Ch.	161/93 Intradistrict Attendance
x	N/A ¹	Ch.	783/95 Investment Reports
x	x	Ch.	1011/84 Juvenile Court Notices II

¹ These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

REIMBURSABLE STATE MANDATED COST PROGRAMS (continued)

2003-04 Reimburse- ment Claims	2004-05 Estimated Claims	School Districts and County Offices of Education		
x	x	Ch.	1117/89	Law Enforcement Agency Notification
x	N/A ¹	Ch.	126/93	Law Enforcement Sexual Harassment Training
x	x	Ch.	486/75	Mandate Reimbursement Process
x	x	Ch.	498/83	Notification of Truancy
x	x	Ch.	1306/89	Notification to Teachers: Pupils Subject to Suspension of Expulsion
x	x	Ch.	641/86	Open Meetings/Brown Act Reform
x	x	Ch.	1284/88	Parent Classroom Visits
x	x	Ch.	465/76	Peace Officers Procedural Bill of Rights
x	x	Ch.	875/85	Photographic Record of Evidence
x	x	Ch.	640/97	Physical Education Reports
x	x	Ch.	975/95	Physical Performance Tests
x	x	Ch.	965/77	Pupil Classroom Suspension: Counseling
x	x	Ch.	668/78	Pupil Exclusions
x	x	Ch.	1208/76	Pupil Health Screenings
x	x	Ch.	100/81	Pupil Promotion and Retention
x	x	Ch.	309/95	Pupil Residency Verification and Appeals
x	x	Ch.	1253/75	Pupil Suspensions, Expulsions, and Expulsion Appeals
x	x	Ch.	1107/84	Removal of Chemicals
x	x	Ch.	1463/89	School Accountability Report Cards
N/A ²	N/A ¹	Ch.	624/92	School Bus Safety I & II
N/A ²	N/A ¹	Ch.	759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)
x	x	Ch.	100/81	School District Fiscal Accountability Reporting
x	x	Ch.	1192/80	School District Reorganization
x	x	Ch.	1347/80	Scoliosis Screening
x	x	Ch.	828/97	Standardized Testing & Reporting
x	x	Ch.	331/98	Teacher Incentive Program

¹ These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

² These programs were suspended for the 2003-04 fiscal year's budget per Chapter 157/03, Item 6110-295-0001, Provision 4.

PROGRAMS SUSPENDED FOR THE 2004-05 FISCAL YEAR

Pursuant to Government Code Section 17581.5, the following education state mandated programs are identified in the 2004 State Budget Act, with a \$0 appropriation by the Legislature. Therefore, the following state mandated programs have been suspended for the 2004-05 fiscal year, and no 2004-05 claim shall be filed.

Chapter	784/95	County Treasury Oversight Committee
Chapter	783/95	Investment Reports
Chapter	126/93	Law Enforcement Sexual Harassment Training
Chapter	624/92	School Bus Safety I & II
Chapter	759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)

The following education state mandated programs have been determined to be optional, repealed or overturned by the court.

Chapter	172/86	Interdistrict Attendance Permits
Chapter	172/86	Interdistrict Transfer Requests: Parent's Employment
Chapter	160/93	School District of Choice: Transfers and Appeals
Chapter	1138/93	Schoolsite Councils and Brown Act Reform
Chapter	87/86	Schoolsite Discipline Rules

AUDIT OF COSTS

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the Commission on State Mandate's Parameters and Guidelines (P's and G's). If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

SOURCE DOCUMENTS

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.

SOURCE DOCUMENTS (continued)

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

RETENTION OF CLAIMING INSTRUCTIONS

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual to replace the old forms. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's Web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to LRS DAR@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 048
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L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data	
	(02) Claimant Name		(22) NOT-1, (03)	
	County of Location		(23)	
	Street Address or P.O. Box Suite		(24)	
	City State Zip Code		(25)	
	Type of Claim	Estimated Claim	Reimbursement Claim	(26)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(27)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
Fiscal Year of Cost	(06) 20 ___/20 ___	(12) 20 ___/20 ___	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the the State of California that the foregoing is true and correct.

Signature of Authorized Officer _____ Date _____

 Type or Print Name _____ Title _____

(38) Name of Contact Person for Claim Telephone Number () - Ext. _____
 E-Mail Address _____

Program 048	NOTIFICATION OF TRUANCY Certification Claim Form Instructions	FORM FAM-27
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
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(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 20__/20__
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Claim Statistics

(03) Number of truant notifications	
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Cost

(04) Unit Cost per an initial truancy notification	[\$13.66 for the 2003-04 fiscal year]	
(05) Total Costs	[Line (03) x line (04)]	

Cost Reduction

(06) Less: Offsetting Savings	
(07) Less: Other Reimbursements	
(08) Total Claimed Amount	[Line (05) - {(line (06) + line (07))}]

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM NOT-1
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- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

 Form NOT-1 must be filed for a reimbursement claim. Do not complete form NOT-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form NOT-1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2003-04 fiscal year is \$13.66 per initial notification. This cost rate will be updated yearly and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.) which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
 - Trip begins at or before 6 a.m. - Breakfast may be claimed
 - Trip begins at or before 11 a.m. - Lunch may be claimed
 - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
 - Trip ends at or after 8 a.m. - Breakfast may be claimed
 - Trip ends at or after 2 p.m. - Lunch may be claimed
 - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

Short-Term Travel Maximum Lodging Reimbursement Rate

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

Long-Term Travel

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

A. Full Long-Term Travel

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

B. Partial Long-Term Travel

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

Receipts

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
 1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
 2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
 3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
 4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

Mileage

When an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, the employee will be allowed to claim and be reimbursed 34 cents per mile. An employee who is required to use a specialized vehicle that has been modified to accommodate disabilities may claim 37 cents per mile.

B. GOVERNMENT CODE SECTIONS 17500-17617

GC §17500: Legislative Findings and Declarations

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

GC §17510: Construction of Part

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

GC §17511: "City"

"City" means any city whether general law or charter, except a city and county.

GC §17512: "Commission"

"Commission" means the Commission on State Mandates.

GC §17513: "Cost Mandated by the Federal Government"

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

GC §17514: "Costs Mandated by the State"

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

GC §17515: "County"

"County" means any chartered or general law county. "County" includes a city and county.

GC §17516: "Executive Order"

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

GC §17517.5: "Cost Savings authorized by the state"

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

GC §17518: "Local Agency"

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

GC §17518.5: "Reasonable Reimbursement Methodology"

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets the following conditions: (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner. (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner. (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (c) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

GC §17519: "School District"

"School district" means any school district, community college district, or county superintendent of schools.

GC §17520: "Special District"

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or

area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

GC §17521: "Test Claim"

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state.

GC §17522: Definitions

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

GC §17523: "Deflator"

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

GC §17524: "Base Year Entitlement"

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

GC §17525: Members: Term and Per Diem for Specified Members

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the

discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

GC §17526: Open Meetings: Executive Sessions

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

GC §17527: Powers of Commission

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

GC §17528: Election of Officers

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

GC §17529: Appointment of Attorney: Duties

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

GC §17530: Appointment of Executive Director: Duties

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

GC §17531: Authority of Executive Director to Employ Necessary Staff

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

GC §17532: Quorum: Investigations, Inquiries, and Hearing

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

GC §17533: Provisions not Applicable to Hearing by Commission

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

GC §17550: Reimbursements of Local Agencies and Special Districts

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

GC §17551: Commission Hearing and Decision Upon Claims

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

GC §17552: Exclusivity of Procedure by Chapter

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings

(a) The commission shall adopt procedures for receiving claims pursuant to this article and for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department

or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other nonlocal agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Board of Control or the Commission on State Mandates that may be related to the alleged mandate. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Board of Control and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included. (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

GC §17554: Commission's Authority to Expedite Claim

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

GC §17555: Date for Public Hearing: Test Claim Form and Procedure

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

GC §17556: Criteria for not Finding Costs Mandated by the State

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposed duties that were expressly included in a ballot measure approved by the voters in a statewide or local election. (g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

GC §17557: Determination of Amount to be Subvned for Reimbursement: Parameters and Guidelines

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvned to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c)

The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before January 15 following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions

(a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the adoption or amendment of parameters and guidelines pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose. (b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the commission. (c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled

Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

GC §17558.6: Legislative Intent

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

GC §17559: Judicial Review

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

GC §17560: Deadlines for Filing Reimbursement Claims

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b). (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

GC §17561: Reimbursement of Costs for State Mandated Programs

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 that includes the amounts awarded relating to these chaptered bills or executive orders. (c) The amount appropriated to reimburse local agencies and

school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.

GC §17561.5: Payment of Claim with Interest

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

GC §17561.6: Payment

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

GC §17562: Review of Costs of State-Mandated Local Programs

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by January 1 of each year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate to the statewide cost estimate adopted by the commission. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall identify mandates that significantly exceed the statewide cost estimate adopted by the commission. The Legislative Analyst shall make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections 17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

GC §17563: Use of Funds Received for Public Purpose

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

GC §17564: Filing of Claims: Threshold Amount

(a) No claim shall be made pursuant to Sections 17551 and 17561, nor shall any payment be made on claims submitted pursuant to Sections 17551 and 17561, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.

GC §17565: Reimbursement of Subsequently Mandated Costs

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

GC §17567: Insufficiency of Appropriation: Proration of Claims

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, the Controller shall transmit this information to the commission which shall include these amounts in its report to the Legislature pursuant to Section 17600 to assure that an appropriation sufficient to pay the claims is included in the local government claims bills or other appropriation bills. If the local government claims bills required by Section 17612 have been introduced in the Legislature, the Controller shall report directly to the chairperson of the respective committee in each house of the Legislature which considers appropriations to assure inclusion of a sufficient appropriation in the claims bills.

GC §17568: Payment of Claims Submitted After Deadline

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). In no case shall a reimbursement claim be paid which is submitted more than one year after the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

GC §17570: Annual Report to Legislature

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

GC §17571: Review and Modification of Claiming Instructions

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

GC §17572: Amended Animal Adoption Parameters and Guidelines

(a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below: (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable. (2) Clarify how the costs for care and maintenance shall be calculated. (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office. (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005-06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581. (c) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005-06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.

GC §17575: Review of Bills

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

GC §17576: Amendment of Bills on Floor: Notification by Legislative Counsel

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

GC §17577: Amount of Estimates

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being

one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

GC §17600: Report on Number of Mandates and Their Costs

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

GC §17601: Report on Claims Denied

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions

(a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

GC §17613: Authorization of Augmentation for Mandated Costs

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made

sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

GC §17615: Legislative Findings and Intent

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming, cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

GC §17615.1: Review of Programs for Inclusion in System

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

GC §17615.2: Calculation of Disbursement Amounts

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

GC §17615.3: Annual Recalculation of Allocation

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to

establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvene that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

GC §17615.4: Procedure for Newly Mandated Program

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

GC §17615.6: Procedure Where Program is No Longer Mandatory

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

GC §17615.7: Procedure Where Program is Modified

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

GC §17615.8: Review of Base Year Entitlement

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

GC §17615.9: Review of Programs Under SMAS

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

GC §17616: Audits and Verification by Controller

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

GC §17617: Local Agency Payment

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

FILING A CLAIM

RECEIVED

December 16, 2013

**Commission on
State Mandates**

1. Introduction

The law in the State of California, (GC Sections 17500 through 17617), provides for the reimbursement of costs incurred by school districts for costs mandated by the State. Costs mandated by the State means any increased costs which a school district is required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A 10 percent penalty, up to \$1,000 for continuing claims, no limit for initial claims, is assessed for late claims. The SCO may audit the records of any school district to verify the actual amount of mandated costs and may reduce any claim that is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission on State Mandates (COSM) may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

2. Types of Claims

There are three types of claims: Reimbursement, estimated, and entitlement. A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable. The claim must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the instructions for the program. The certification of claim, form FAM-27, must be signed and dated by the entity's authorized officer in order for the SCO to make payment on the claim.

A. Reimbursement Claim

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. The claim must include supporting documentation to substantiate the costs claimed.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal years of a program that was previously unfunded. Claims are due 120 days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual reimbursement claims must be filed by January 15 following the fiscal year in which costs were incurred for the program. A reimbursement claim must detail the costs actually incurred in the prior fiscal year.

An actual claim for the 2004-05 fiscal year may be filed by January 17, 2006, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$1,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

B. Estimated Claim

An estimated claim is defined in GC Section 17522 as any claim filed with the SCO, during the fiscal year in which the mandated costs are to be incurred by the school districts and county superintendent of schools, against an appropriation made to the SCO for the purpose of paying those costs.

An estimated claim may be filed in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times for estimated costs to be incurred during the current fiscal year. Annual estimated claims are due January 15 of the fiscal year in which the costs are to be incurred. Initial estimated claims are due on the date specified in the claiming instructions. Timely filed estimated claims are paid before those filed after the deadline.

After receiving payment for an estimated claim, the claimant must file a reimbursement claim by January 15 following the fiscal year in which costs were incurred. If the claimant fails to file a reimbursement claim, monies received for the estimated claims must be returned to the State.

C. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by a school district and county superintendent of schools with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by January 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed on page 5.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies,

as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three-year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

A base year entitlement is determined by computing the average of the claimant's costs for any three consecutive years after the program has been approved for the SMAS process. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years, which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

3. Minimum Claim Amount

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

4. Filing Deadline for Claims

Initial reimbursement claims (first-time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within 120 days from the date of issuance of the program's claiming instructions by the SCO. If the initial reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% penalty. A claim filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for costs incurred during the previous fiscal year and estimated claims for costs to be incurred during the current fiscal year must be filed with the SCO and postmarked on or before January 15. If the annual or estimated reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$1,000. Claims must include supporting data to show how the amount claimed was derived. Without this information, the claim cannot be accepted.

Entitlement claims do not have a filing deadline. However, entitlement claims and supporting documents should be filed by January 15 to permit an orderly processing of claims. Entitlement claims are used to establish a base year entitlement amount for calculating automatic annual payments. Entitlement does not result in the claimant being reimbursed for costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

5. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must

be properly filled out, signed, and dated by the entity's authorized officer.

Reimbursement and estimated claims are paid within 60 days of the filing deadline for the claim, or 15 days after the date the appropriation for the claim is effective, whichever is later. A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. The SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs. The 20 percent withheld is not subject to accrued interest.

In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature, which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the COSM which will include these amounts in its report to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. When the supplementary funds are made available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or P's & G's, the determination of allowable and unallowable costs for mandates is based on the P's & G's adopted by the COSM. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the P's & G's.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's P's & G's. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops general education, and travel costs.

6. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the COSM.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each school district that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the Implicit Price Deflator (IPD), which is applied separately to each year's costs for

the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

Each school district with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and average daily attendance.

In the event a school district has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the school district may file an entitlement claim for each of those missed years to establish a base year entitlement. An "entitlement claim" means any claim filed by a school district with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the school district determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based is set forth in GC Section 17615.8 and requires the approval of the COSM.

School Mandates Included in SMAS

Program Name	Chapter/Statute	Program Number
Immunization Records	Ch. 1176/77	32

Pupil Expulsion Transcripts, program #91, Chapter 1253/75 was removed from SMAS for the 2002-03 fiscal year. This program was consolidated with other mandate programs that are included in Pupil Suspension, Expulsions, and Expulsion Appeals, program #176.

7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Each claimed reimbursable cost must be supported by documentation as described in Section 12. Costs that are typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A school district may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claim must include a computation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099)] \div 1,800 \text{ hrs} = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to EAS, multiply the biweekly salary by 26. To convert a monthly salary to EAS, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:		
Step 1: Fringe Benefits as a Percent of Salary		Step 2: Productive Hourly Rate
Retirement	15.00 %	Formula: $[(EAS \times (1 + FBR)) \div APH] = PHR$ $[(\$26,000 \times (1.3115)) \div 1,800] = \18.94
Social Security & Medicare	7.65	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
Total	31.15 %	
Description:		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
FBR = Fringe Benefit Rate		PHR = Productive Hourly Rate

- As illustrated in Table 3, both methods produce the same productive hourly rate. Reimbursement for personnel services includes, but is not limited to, compensation paid

for salaries, wages, and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances where the parameters and guidelines allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hrs	\$6.00	\$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		\$45.88
Average Productive Hourly Rate is $\$45.88/5.50 \text{ hrs.} = \8.34			

(d) Employer's Fringe Benefits Contribution

A school district has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00%
Social Security	7.65%
Health and Dental	
Insurance	5.25%
Worker's Compensation	0.75%
Total	<u>28.65%</u>

(e) Materials and Supplies

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by local agencies.

(f) Calculating a Unit Cost for Materials and Supplies

In those instances where the parameters and guidelines suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

Table 1: Calculating A Unit Cost for Materials and Supplies

Supplies	<u>Cost Per Unit</u>	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper	0.02	4	\$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	<u>0.40</u>
			<u>\$0.64</u>

Table 2: Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u><u>\$9.50</u></u>
<p>If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance ($\\$9.50 / 25$).</p>		

(g) Contract Services

The cost of contract services is allowable if the school district lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the parameters and guidelines for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the parameters and guidelines for the particular mandate. Equipment rentals used solely for the mandate is reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the parameters and guidelines specify them as allowable. If they are allowable, the parameters and guidelines for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the parameters and guidelines may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure

and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

School districts and county superintendents of schools may use the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data whichever is applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by mandated direct costs not included in either (1) total support services, EDP No. 422 of the J-380 or J-580, or (2) indirect costs on Form ICR of the California Department of Education's SACS Financial Reporting Software. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

9. Time Study Guidelines

Background

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a formula for reimbursing school district costs mandated by the state that meet certain conditions specified in GC Section 17518.5(a). For costs incurred prior to January 1, 2005, a time study can only substitute for continuous records of actual time spent for a specific fiscal year if the program's P's & G's allow for the use of time studies.

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study, which are described below. Application of time study results is restricted. As explained in Time Study Results below the results may be projected forward a maximum of two years provided the claimant meets certain criteria.

Actual Time Reporting

Parameters and Guidelines define reimbursable activities for each mandated cost program. (Some P's & G's refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which

clarify documentation requirements discussed under the Reimbursable Activities section of recent P's & G's):

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates, or other distribution percentages determined before services are performed, do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

A time study plan is necessary before conducting the time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs.
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's P's & G's, which are derived from the program's Statement of Decision. If a reimbursable activity in the P's & G's identifies separate and distinct sub-activities, they must also be treated as individual activities.

For example, sub-activities (a), (b), and (c) under reimbursable activity (B) (1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. These sub-activities do not have to be separately studied.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity.
- Employee universe – The employee universe used in the time study must include all positions whose salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.

- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable in situations where employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activity on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence, which validates that the work was actually performed. As with actual time reporting, budget estimates, or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Time study results must be summarized to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained.

Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period July 1, 2004, through December 31, 2004, unless (1) the program's P's & G's specifically allow time studies, and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims – When filing an initial claim for new mandated programs, claimants may only use time study results for costs incurred on or after January 1, 2005. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's P's & G's specifically allow time studies, and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain corroborating evidence that validates the mandated activity was actually performed. Time study results used to support subsequent years' claims are subject to the recordkeeping requirements for those claims.

10. Offset Against State Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC Section 17561.

Example 1:

As illustrated in Table 5, this example shows how the "Offset against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

Table 5: Offset Against State Mandates, Example 1

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims are the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500, and claimable costs are \$0.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

Example 2:

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

Table 6: Offset Against State Mandates, Example 2

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

** School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims are \$1,125. Therefore, the claimable mandated costs are \$375.

Offsetting Revenues – For Direct Mandated Program Costs Included in District’s Indirect Cost Pool

Districts claim indirect costs using indirect cost rates approved by the California Department of Education (CDE). Districts calculate these rates based on criteria specified in CDE’s California School Accounting Manual. An offsetting revenue situation occurs when districts claim direct mandate-related costs (salaries and benefits, material and supplies, and/or contracted services) that are also included in the district’s indirect cost pool.

When the district’s indirect cost pool includes direct mandate-related costs, the district may use the following methodology to calculate offsetting revenue. The offsetting revenue calculation reflects the portion of direct mandate-related costs that a district recovers from federal and other state funding sources. A district may develop its own methodology; however, the district must be able to show that its methodology accurately calculates offsetting revenues.

A district’s indirect cost rate computation is comprised of expenditures from the General Fund (fund 01), Adult Education Fund (fund 11), Child Development Fund (fund 12), Cafeteria Special Revenue Fund (fund 13), and Cafeteria Enterprise Fund (fund 61). To determine offsetting revenues, calculate the percentage of federal and other state revenues (excluding Mandated Cost Reimbursements (resource code 8550) and State Lottery Revenue (resource code 8560) versus total revenues for these funds combined.

Apply this percentage to the direct mandate-related costs that are included in the indirect cost pool. The following summarizes the calculation:

$[(A + B)/C] \times D = R$, where

- A = Total federal revenue for the specified funds
- B = Total other state revenue (excluding Mandated Cost Reimbursements and State Lottery Revenue) for the specified funds
- C = Total revenue for the specified funds
- D = Direct mandate-related costs included in district’s indirect cost pool
- R = Offsetting revenue

In addition, districts must ensure that they calculate mandate-related indirect costs correctly. Direct mandate-related costs included in the district's indirect cost pool are consequently not included in the direct cost base that is used to calculate the indirect cost rate. Thus, the district cannot apply the indirect cost rate to these mandate-related costs. Districts should deduct these costs from total direct mandate-related costs before applying the indirect cost rate to calculate mandate-related indirect costs.

Federal and State Funding Sources

State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular (OMB) 2 CFR Part 225.

11. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

12. Audit of Costs

All claims submitted to the State Controller's Office (SCO) are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the COSM. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

On-site audits will be conducted by the SCO as deemed necessary. Accordingly, all documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or amended regardless of the year of costs incurred. When no funds are appropriated for initial claims at the time the claim is filed, supporting documents must be retained for three years from the date of initial payment of the claim. Claim documentation shall be made available to the SCO on request.

13. Source Documents

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing school district costs mandated by the State" that meets certain conditions specified in 17518.5(a). For costs incurred prior to January 1, 2005, time study can substitute for continuous records of actual time spent for a specific fiscal year only if the program's P's & G's allow for the use of time studies.

14. Claim Forms and Instructions

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

A. Form-2, Component/Activity Cost Detail

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than three years after the reimbursement claim was filed or last amended.

B. Form-1, Claim Summary

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

School districts and county superintendents of schools may compute the amount of indirect costs using the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data applicable to the fiscal year of the claim.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the school district. All applicable information from Form-1 must be carried forward onto this form in order

for the SCO to process the claim for payment. An original and one copy of the FAM-27 is required.

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment, and all other forms and supporting documents **(To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

If delivered by
U.S. Postal Service:

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual and the old forms they replace should be removed. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, or send e-mail to lrsdar@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

16. Retention of Claim Records and Supporting Documentation

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the COSM's P's and G's. If any adjustments are made to a claim, a "Notice of Claim Adjustments" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2005-09

ANNUAL REVISIONS - SCHOOL DISTRICTS

SEPTEMBER 30, 2005

Government Code Section (GC §) 17561 provides for the reimbursement of state mandated costs. Enclosed is information for updating the Mandated Cost Manual for Schools. The manual contains all forms and instructions that are necessary for school districts to file 2005-06 fiscal year annual claims with the State Controller's Office (SCO).

Estimated claims for costs to be incurred during the 2005-06 fiscal year and reimbursement claims detailing the costs actually incurred in the 2004-05 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before January 17, 2006.** If the reimbursement claim is filed after the deadline, but by January 15, 2007, the approved claim will be reduced by a late penalty of 10% for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$1,000. In order for a claim to be considered properly filed, the claim must include supporting documentation as specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline or without supporting documentation.

Amounts appropriated for payment of program costs are shown beginning on page 5 under "Appropriations for the State Mandated Cost Programs for the 2005-06 Fiscal Year." The fiscal years for which costs can be claimed for a mandated cost program are shown beginning on page 7 under "Reimbursable State Mandated Costs Programs." To prepare 2005-06 estimated claims and 2004-05 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

MINIMUM CLAIM COST

GC § 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. Combined claims may be filed only when the county superintendent of schools is the fiscal agent for the school districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

ESTIMATED CLAIMS

Unless otherwise specified in the claiming instructions, claimants do not have to provide cost schedules and supporting documents with the estimated claim if the estimated amount does not exceed the prior fiscal year's actual costs by more than 10%. The claimant can simply enter the estimated amount on form FAM-27, line (07). However, if the estimated claim exceeds the prior fiscal year's actual costs by more than 10%, the claimant must complete claim forms as specified in the claiming instructions for the program and explain the reason for the increased costs. If the explanation to support the higher estimate is not provided, the claim will automatically be adjusted to 110% of the prior fiscal year's actual costs.

PROGRAM UPDATES FOR 2004-05 FISCAL YEAR

Ch. 486/75, Mandate Reimbursement Process

Ch. 486/75, Mandate Reimbursement Process, provides reimbursement for the cost of: (1) preparing and presenting successful test claims, and (2) preparing and submitting successful reimbursement claims to the SCO. With respect to preparing and submitting claims to the SCO, the 2004 State Budget Act (Chapter 208, Statutes of 2004) imposed in the 2004-05 fiscal year the same limitations as those imposed in the prior fiscal year. Claiming instructions and forms for Chapter 486/75, Mandate Reimbursement Process, were issued separately and are not included in this revision. Limitations on reimbursement for independent contractor costs are as follows:

“If a school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the school district.

The maximum amount of reimbursement provided (in the above provision) may be exceeded only if the school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without incurring the additional costs claimed by the school district”.

Updates of Rates and Factors

The following rates are to be used for filing 2004-05 reimbursement claims. These rates are computed by adjusting the 2003-04 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of April 2005, National Deflators, State and Local Purchases. The estimated change in the IPD for 2004-05 is 4.5%. For preparing the 2005-06 estimated claims, districts may use the program's 2004-05 rate or increase the 2004-05 rate by the estimated 2005-06 IPD change of 3.5% to determine 2005-06 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- *Ch. 448/75, Annual Parent Notification III (Program No. 221)*

The 2004-05 unit rate is \$0.0697 per page of printed notification material distributed to parents and guardians, and \$0.2772 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2004-05 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is 3.564.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2004-05 maximum reimbursement hourly rate for contract services is \$122.06. Staffing cost reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class. The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2004-05 unit rate is \$5.65 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by the SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance from the previous fiscal year.

Once the district has filed actual costs for 1989-90 through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2004-05 unit rate is \$7.08 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California. And \$3.71 per student in the seventh grade.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2004-05 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$39.89 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$28.36 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2004-05 unit cost reimbursement is \$14.28 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents/guardians, and associated record keeping.

- *Ch. 641/86, Open Meetings Act/Brown Act Reform II (Program No. 218)*

The 2004-05 uniform cost allowance is \$124.64 per meeting. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 668/78, Pupil Exclusions (Program No. 165)*

The 2004-05 unit cost reimbursement is \$0.18 per page for the cost of including specific information in the notice of pupil exclusion to the parents or guardian. The unit cost rate covers all costs (direct and indirect) of performing activities required by subparagraph (2), (3), and (4), of Education Code Section 48213.

- *Ch. 1347/80, Scoliosis Screening (Program No. 58)*

The 2004-05 unit cost rate is \$6.77 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

- *Ch. 818/91, Aids Prevention Instruction II (Program No. 250)*

The 2004-05 uniform cost allowance is \$0.0700 per notice. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

FINAL FILING DEADLINE FOR 2004-05 FISCAL YEAR CLAIMS

The final filing deadline for 2004-05 reimbursement claims is **January 17, 2006**. A late penalty of 10% of the approved claim will be applied to 2004-05 claims filed after January 17, 2006. **Claims filed after January 15, 2007, will not be accepted.**

APPROPRIATIONS FOR THE 2005-06 FISCAL YEAR

Source of State Mandated Cost Appropriations - 2005 State Budget Act (Chapter 38/05)

Schedule	Program	Amount Appropriated
Item 6110-295-0001		
(1) Chapter 36/77	Annual Parent Notification III	\$1,000
(2) Chapter 98/94	Caregiver Affidavits	1,000
(3) Chapter 161/93	Intradistrict Attendance	1,000
(4) Chapter 486/75	Mandate Reimbursement Process	1,000
(5) Chapter 498/83	Graduation Requirements	1,000
(6) Chapter 498/83	Notification of Truancy	1,000
(7) Chapter 498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
(8) Chapter 641/86	Open Meetings Act/Brown Act Reform	1,000 ¹
(9) Chapter 781/92	Charter Schools	1,000
(10) Chapter 783/95	Investment Reports	0 ²
(11) Chapter 799/80	PERS Death Benefits	1,000 ³
(12) Chapter 818/91	AIDS Prevention Instruction	1,000
(13) Chapter 961/75	Collective Bargaining	1,000
(14) Chapter 1208/76	Pupil Health Screenings	1,000
(15) Chapter 975/95	Physical Performance Tests	1,000
(16) Chapter 1011/84	Juvenile Court Notices II (Ch. 1423, Stats. 1984)	1,000
(17) Chapter 1107/84	Removal of Chemicals	1,000
(18) Chapter 1117/89	Law Enforcement Agency Notifications	1,000
(19) Chapter 1176/77	Immunization Records	1,000
(20) Chapter 1184/75	Habitual Truants	1,000
(21) Chapter 1253/75	Expulsion Transcripts	1,000
(22) Chapter 1306/89	Notification to Teachers of Public Expulsion	1,000
(23) Chapter 1347/80	Scoliosis Screening	1,000
(24) Chapter 1398/74	PERS Unused Sick Leave Credit	1,000 ³
(25) Chapter 1463/89	School Accountability Report Cards	1,000
(26) Chapter 1659/84	Emergency Procedures	1,000
(27) Chapter 309/95	Pupil Residency Verification and Appeals	1,000
(28) Chapter 588/97	Criminal Background Checks	1,000
(29) Chapter 759/92	School Crimes Reporting II	0 ²
(30) Chapter 624/92	School Bus Safety I and II	0 ²
(31) Chapter 465/76	Peace Officers Procedural Bill of Rights	1,000
(32) Chapter 36/77	Financial and Compliance Audits	1,000
(33) Chapter 640/97	Physical Education Reports	1,000
(34) Chapter 1120/96	Health Benefits for Survivors of Peace Officers & Firefighters	1,000
(35) Chapter 917/87	County Office of Education Fiscal Accountability Reporting	1,000
(36) Chapter 100/81	School District Fiscal Accountability Reporting	1,000

¹ The Commission on State Mandates set aside this program as directed by AB 138, Statutes of 2005.

² These programs are suspended for the 2004-05 and 2005-06 fiscal year's budget.

³ Funds appropriated in nos. 11 and 24 are for transfer to the Public Employees' Retirement System for reimbursement of cost incurred pursuant to 799/80 or 1398/74.

APPROPRIATIONS FOR THE 2005-06 FISCAL YEAR

Source of State Mandated Cost Appropriations-2005 State Budget Act (Chapter 38/05) (con't.)

Schedule	Program	Amount Appropriated
Item 6110-295-0001		
(37) Chapter	875/85 Photographic Record of Evidence	1,000
(38) Chapter	126/93 Law Enforcement Sexual Harassment Training	0 ²
(39) Chapter	784/95 County Treasury Oversight Committee	0 ²
(40) Chapter	736/97 Comprehensive School Safety Plans	1,000
(41) Chapter	1249/92 Threats Against Peace Officers	1,000
(42) Chapter	325/78 Immunization Records-Hepatitis B	1,000
(43) Chapter	1192/80 School District Reorganization	1,000
(44) Chapter	34/98 Charter Schools II	1,000
(45) Chapter	594/98 Criminal Background Checks II	1,000
(46) Chapter	1170/96 Grand Jury Proceedings	0 ²
Total Appropriations, Item 6110-295-0001		<u><u>\$40,000</u></u>

² These programs are suspended for the 2004-05 and 2005-06 fiscal year's budget.

REIMBURSABLE STATE MANDATED COST PROGRAMS

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2004-05 Reimburse- ment Claims	2005-06 Estimated Claims	School Districts and County Offices of Education	
x	x	Ch.	77/78 Absentee Ballots
x	x	Ch.	818/91 AIDS Prevention Instruction II
x	N/A ²	Ch.	778/96 American Government Course Document Requirements
x	x	Ch.	36/77 Annual Parent Notification III
x	x	Ch.	98/94 Caregiver Affidavits
x	x	Ch.	34/98 Charter Schools
x	x	Ch.	917/87 COE Fiscal Accountability Reporting
x	x	Ch.	961/75 Collective Bargaining
x	x	Ch.	736/97 Comprehensive School Safety Plans and Emergency Procedures, Earthquake Procedures and Disasters (Ch. 1659/84)
N/A ¹	N/A ²	Ch.	784/95 County Treasury Oversight Committee
x	x	Ch.	588/97 Criminal Background Checks I
x	x	Ch.	594/98 Criminal Background Checks II
x	x	Ch.	30/98 Differential Pay and Reemployment
x	x	Ch.	650/94 Employee Benefits Disclosure
x	x	Ch.	1253/75 Expulsion Transcripts
x	x	Ch.	36/77 Financial and Compliance Audits
x	x	Ch.	498/83 Graduation Requirements
N/A ¹	N/A ²	Ch.	1170/96 Grand Jury Proceedings
x	x	Ch.	1184/75 Habitual Truant
x	x	Ch.	1120/96 Health Benefits for Survivors of Peace Officers & Firefighters
x	x	Ch.	1176/77 Immunization Records
x	x	Ch.	325/78 Immunization Records: Hepatitis B
N/A ¹	N/A ²	Ch.	172/86 Interdistrict Attendance Permits
N/A ¹	N/A ²	Ch.	172/86 Interdistrict Transfer Requests: Parent's Employment
x	x	Ch.	161/93 Intradistrict Attendance
N/A ¹	N/A ²	Ch.	783/95 Investment Reports
x	x	Ch.	1011/84 Juvenile Court Notices II

¹ These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

² These programs are suspended for the 2005-06 fiscal year's budget per Chapter 38/05, Item 6110-295-0001.

REIMBURSABLE STATE MANDATED COST PROGRAMS (continued)

2004-05 Reimburse- ment Claims	2005-06 Estimated Claims	School Districts and County Offices of Education		
x	x	Ch.	1117/89	Law Enforcement Agency Notification
N/A ¹	N/A ²	Ch.	126/93	Law Enforcement Sexual Harassment Training
x	x	Ch.	486/75	Mandate Reimbursement Process
x	x	Ch.	498/83	Notification of Truancy
x	x	Ch.	1306/89	Notification to Teachers: Pupils Subject to Suspension of Expulsion
x	N/A ³	Ch.	641/86	Open Meetings/Brown Act Reform
x	x	Ch.	1284/88	Parent Classroom Visits
x	x	Ch.	465/76	Peace Officers Procedural Bill of Rights
x	x	Ch.	875/85	Photographic Record of Evidence
x	x	Ch.	640/97	Physical Education Reports
x	x	Ch.	975/95	Physical Performance Tests
x	x	Ch.	965/77	Pupil Classroom Suspension: Counseling
x	x	Ch.	668/78	Pupil Exclusions
x	x	Ch.	965/77	Pupil Health Screenings
x	x	Ch.	100/81	Pupil Promotion and Retention
x	x	Ch.	309/95	Pupil Residency Verification and Appeals
x	x	Ch.	1253/75	Pupil Suspensions, Expulsions, and Expulsion Appeals
x	x	Ch.	1107/84	Removal of Chemicals
x	x	Ch.	1463/89	School Accountability Report Cards
N/A ¹	N/A ²	Ch.	624/92	School Bus Safety I & II
N/A ¹	N/A ²	Ch.	759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)
x	x	Ch.	100/81	School District Fiscal Accountability Reporting
x	x	Ch.	1192/80	School District Reorganization
x	x	Ch.	1347/80	Scoliosis Screening
x	N/A ⁴	Ch.	828/97	Standardized Testing & Reporting
x	x	Ch.	331/98	Teacher Incentive Program
x	x	Ch.	1249/92	Threats Against Peace Officers

¹ These programs are suspended for the 2004-05 fiscal year's budget per Chapter 208/04, Item 6110-295-0001.

² These programs are suspended for the 2005-06 fiscal year's budget per Chapter 38/05, Item 6110-295-0001.

³ Commission on State Mandates set aside this program as directed by AB 138, Statutes of 2005.

⁴ Commission on State Mandates was directed to reconsider this program and new Parameters and Guidelines will be forthcoming.

PROGRAMS SUSPENDED FOR THE 2005-06 FISCAL YEAR

Pursuant to GC §17581.5, the following education state mandated programs are identified in the 2005 State Budget Act, with a \$0 appropriation by the Legislature. Therefore, the following state mandated programs have been suspended for the 2005-06 fiscal year, and no claim for fiscal year 2005-06 shall be filed.

Chapter	784/95	County Treasury Oversight Committee
Chapter	1170/96	Grand Jury Proceedings
Chapter	783/95	Investment Reports
Chapter	126/93	Law Enforcement Sexual Harassment Training
Chapter	624/92	School Bus Safety I & II
Chapter	759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)

The following education state mandated programs have been determined to be optional, repealed, or overturned by the court.

Chapter	172/86	Interdistrict Attendance Permits
Chapter	172/86	Interdistrict Transfer Requests: Parent's Employment
Chapter	160/93	School District of Choice: Transfers and Appeals
Chapter	1138/93	Schoolsite Councils and Brown Act Reform
Chapter	87/86	Schoolsite Discipline Rules

Commission on State Mandates set aside Parameters and Guidelines for the following programs:

Chapter	778/96	American Government Course Documentation Requirements
Chapter	641/86	Open Meetings/Brown Act Reform

AUDIT OF COSTS

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the Commission on State Mandate's Parameters and Guidelines (P's and G's). If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

SOURCE DOCUMENTS

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

RETENTION OF CLAIMING INSTRUCTIONS

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual to replace the old forms. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's Web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to LRS DAR@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

NOTIFICATION OF TRUANCY

1. Summary of Chapter 498/83

Education Code § 48260.5, as added by Chapter 498, Statutes of 1983, requires that school districts, upon a pupil's initial classification as a truant, notify the pupil's parent or guardian by first-class mail or other reasonable means, of the pupil's truancy, that the parent or guardian is obligated to compel the attendance of the pupil at school and that the parent or guardian who fails to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with § 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of alternative educational programs available in the district, and the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

- (1) Truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code § 48260).
- (2) A student shall be classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code 48260.5 as enacted by Chapter 498, Statutes of 1983.

On November 29, 1984, the Commission on State Mandates determined that Chapter 498, Statutes of 1983, resulted in state mandated costs which are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

2. Eligible Claimants

Any school district (K-12) or county office of education that incurs increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

Claims may only be filed with the State Controller's Office for programs that have been funded in the state budget, the State Mandates Claims Fund, or in special legislation. To determine if this program is funded in subsequent fiscal years, refer to the schedule "Appropriation for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to county superintendents of schools and superintendents of schools.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year. However, any county superintendent of schools, as fiscal agent for the school district, may submit a combined claim in excess of \$200 on behalf of one or more districts within the county even if the individual district's claim does not exceed \$200. A combined claim must show the individual costs for each district.

Once a combined claim is filed, all subsequent years relating to the same mandate must be filed in a combined form. The county receives the reimbursement payment and is responsible for disbursing funds to each participating district. A district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office of its intent to file a separate claim at least 180 days prior to the deadline for

filing the claim.

5. Filing Deadline

Refer to the item, "Reimbursable State Mandated Cost Programs", contained in the annual cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19__/_ Reimbursement Claim", and/or "19__/_ Estimated Claim", claims may be filed as follows:

- (1) An estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the district fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed on a unit cost basis for an initial notice to the parents or guardian regarding the pupil's truancy. For the 1995/96 fiscal year the unit rate is \$10.97 per initial notice. The unit rate is adjusted annually by the changes in the implicit price deflator and covers all direct and indirect costs of the following on-going activities:

- A. Identifying the Truant Pupil
- B. Notification to Parent or Guardian
- C. Printing Additional Forms
- D. Recordkeeping

7. Reimbursement Limitations

- A. This program does not provide reimbursement for activities related to resolving truancy problems (i.e., referrals to attendance review board, meetings with parent or guardian to discuss the pupil's truancy problems and/or discuss alternative educational programs, etc.).
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. service fees collected, federal funds, other state funds, etc.) as a result of this mandate shall be identified and deducted so only net local costs are claimed.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

8. Form NOT-1, Claim Summary

This form is used to compute the amount of claimable costs based on the number of reports forwarded to the governing board with the recommendation not to expel the student. The claimant must give the number of truant notifications. The cost data on this form is carried forward to form FAM-27.

9. Form FAM-27, Claim for Payment

Form FAM-27 contains a certification that must be signed by an authorized representative of the district. All applicable information from form NOT-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program <h1 style="margin: 0;">048</h1>
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L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data	
	(02) Claimant Name		(22) NOT-1, (03)	
	County of Location		(23)	
	Street Address or P.O. Box Suite		(24)	
	City State Zip Code		(25)	

Type of Claim	Estimated Claim	Reimbursement Claim		
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)	
			(29)	
Fiscal Year of Cost	(06) 20 ___/20 ___	(12) 20 ___/20 ___	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer _____ Date _____

 Type or Print Name _____ Title _____

(38) Name of Contact Person for Claim _____ Telephone Number () - Ext. _____

 E-Mail Address _____

Program 048	NOTIFICATION OF TRUANCY Certification Claim Form Instructions	FORM FAM-27
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:

Address, if delivered by U.S. Postal Service:

**OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250**

Address, if delivered by other delivery service:

**OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816**

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM NOT-1
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- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

 Form NOT-1 must be filed for a reimbursement claim. Do not complete form NOT-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form NOT-1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2004-05 fiscal year is \$14.28 per initial notification. This cost rate will be updated yearly and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.), which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
 - Trip begins at or before 6 a.m. - Breakfast may be claimed
 - Trip begins at or before 11 a.m. - Lunch may be claimed
 - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
 - Trip ends at or after 8 a.m. - Breakfast may be claimed
 - Trip ends at or after 2 p.m. - Lunch may be claimed
 - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

Short-Term Travel Maximum Lodging Reimbursement Rate

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

Long-Term Travel

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

A. Full Long-Term Travel

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

B. Partial Long-Term Travel

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

Receipts

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
 1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
 2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
 3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
 4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

Mileage

When an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, the employee will be allowed to claim and be reimbursed 34 cents per mile. An employee who is required to use a specialized vehicle that has been modified to accommodate disabilities may claim 37 cents per mile.

B. GOVERNMENT CODE SECTIONS 17500-17617

GC §17500: Legislative Findings and Declarations

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

GC §17510: Construction of Part

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

GC §17511: "City"

"City" means any city whether general law or charter, except a city and county.

GC §17512: "Commission"

"Commission" means the Commission on State Mandates.

GC §17513: "Cost Mandated by the Federal Government"

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

GC §17514: "Costs Mandated by the State"

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

GC §17515: "County"

"County" means any chartered or general law county. "County" includes a city and county.

GC §17516: "Executive Order"

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

GC §17517.5: "Cost Savings authorized by the state"

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

GC §17518: "Local Agency"

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

GC §17518.5: "Reasonable Reimbursement Methodology"

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets the following conditions: (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner. (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner. (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (c) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

GC §17519: "School District"

"School district" means any school district, community college district, or county superintendent of schools.

GC §17520: "Special District"

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or

area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

GC §17521: "Test Claim"

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state.

GC §17522: Definitions

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

GC §17523: "Deflator"

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

GC §17524: "Base Year Entitlement"

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

GC §17525: Members: Term and Per Diem for Specified Members

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the

discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

GC §17526: Open Meetings: Executive Sessions

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

GC §17527: Powers of Commission

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

GC §17528: Election of Officers

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

GC §17529: Appointment of Attorney: Duties

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

GC §17530: Appointment of Executive Director: Duties

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

GC §17531: Authority of Executive Director to Employ Necessary Staff

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

GC §17532: Quorum: Investigations, Inquiries, and Hearing

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

GC §17533: Provisions not Applicable to Hearing by Commission

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

GC §17550: Reimbursements of Local Agencies and Special Districts

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

GC §17551: Commission Hearing and Decision Upon Claims

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

GC §17552: Exclusivity of Procedure by Chapter

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings

(a) The commission shall adopt procedures for receiving claims pursuant to this article and for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department

or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other nonlocal agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Board of Control or the Commission on State Mandates that may be related to the alleged mandate. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Board of Control and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included. (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

GC §17554: Commission's Authority to Expedite Claim

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

GC §17555: Date for Public Hearing: Test Claim Form and Procedure

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

GC §17556: Criteria for not Finding Costs Mandated by the State

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposed duties that were expressly included in a ballot measure approved by the voters in a statewide or local election. (g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c)

The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before January 15 following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions

(a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the adoption or amendment of parameters and guidelines pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose. (b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the commission. (c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled

Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

GC §17558.6: Legislative Intent

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

GC §17559: Judicial Review

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

GC §17560: Deadlines for Filing Reimbursement Claims

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b). (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

GC §17561: Reimbursement of Costs for State Mandated Programs

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 that includes the amounts awarded relating to these chaptered bills or executive orders. (c) The amount appropriated to reimburse local agencies and

school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.

GC §17561.5: Payment of Claim with Interest

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

GC §17561.6: Payment

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

GC §17562: Review of Costs of State-Mandated Local Programs

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by January 1 of each year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate to the statewide cost estimate adopted by the commission. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall identify mandates that significantly exceed the statewide cost estimate adopted by the commission. The Legislative Analyst shall make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections 17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

GC §17563: Use of Funds Received for Public Purpose

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

GC §17564: Filing of Claims: Threshold Amount

(a) No claim shall be made pursuant to Sections 17551 and 17561, nor shall any payment be made on claims submitted pursuant to Sections 17551 and 17561, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.

GC §17565: Reimbursement of Subsequently Mandated Costs

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

GC §17567: Insufficiency of Appropriation: Proration of Claims

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, the Controller shall transmit this information to the commission which shall include these amounts in its report to the Legislature pursuant to Section 17600 to assure that an appropriation sufficient to pay the claims is included in the local government claims bills or other appropriation bills. If the local government claims bills required by Section 17612 have been introduced in the Legislature, the Controller shall report directly to the chairperson of the respective committee in each house of the Legislature which considers appropriations to assure inclusion of a sufficient appropriation in the claims bills.

GC §17568: Payment of Claims Submitted After Deadline

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). In no case shall a reimbursement claim be paid which is submitted more than one year after the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

GC §17570: Annual Report to Legislature

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

GC §17571: Review and Modification of Claiming Instructions

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

GC §17572: Amended Animal Adoption Parameters and Guidelines

(a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below: (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable. (2) Clarify how the costs for care and maintenance shall be calculated. (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office. (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005-06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581. (c) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005-06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.

GC §17575: Review of Bills

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

GC §17576: Amendment of Bills on Floor: Notification by Legislative Counsel

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

GC §17577: Amount of Estimates

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being

one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

GC §17600: Report on Number of Mandates and Their Costs

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

GC §17601: Report on Claims Denied

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions

(a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

GC §17613: Authorization of Augmentation for Mandated Costs

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made

sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

GC §17615: Legislative Findings and Intent

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming, cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

GC §17615.1: Review of Programs for Inclusion in System

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

GC §17615.2: Calculation of Disbursement Amounts

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

GC §17615.3: Annual Recalculation of Allocation

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to

establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvene that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

GC §17615.4: Procedure for Newly Mandated Program

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

GC §17615.6: Procedure Where Program is No Longer Mandatory

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

GC §17615.7: Procedure Where Program is Modified

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

GC §17615.8: Review of Base Year Entitlement

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

GC §17615.9: Review of Programs Under SMAS

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

GC §17616: Audits and Verification by Controller

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

GC §17617: Local Agency Payment

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

FILING A CLAIM

RECEIVED
December 16, 2013
*Commission on
State Mandates*

1. Introduction

The law in the State of California, (GC Sections 17500 through 17617), provides for the reimbursement of costs incurred by school districts for costs mandated by the State. Costs mandated by the State means any increased costs which a school district is required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by January 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A 10 percent penalty, up to \$1,000 for continuing claims, no limit for initial claims, is assessed for late claims. The SCO may audit the records of any school district to verify the actual amount of mandated costs and may reduce any claim that is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission on State Mandates (COSM) may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

2. Types of Claims

There are three types of claims: Reimbursement, estimated, and entitlement. A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable. The claim must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the instructions for the program. The certification of claim, form FAM-27, must be signed and dated by the entity's authorized officer in order for the SCO to make payment on the claim.

A. Reimbursement Claim

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. The claim must include supporting documentation to substantiate the costs claimed.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal years of a program that was previously unfunded. Claims are due 120 days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual reimbursement claims must be filed by January 15 following the fiscal year in which costs were incurred for the program. A reimbursement claim must detail the costs actually incurred in the prior fiscal year.

An actual claim for the 2005-06 fiscal year may be filed by January 15, 2007, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$1,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

B. Estimated Claim

An estimated claim is defined in GC Section 17522 as any claim filed with the SCO, during the fiscal year in which the mandated costs are to be incurred by the school districts and county superintendent of schools, against an appropriation made to the SCO for the purpose of paying those costs.

An estimated claim may be filed in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times for estimated costs to be incurred during the current fiscal year. Annual estimated claims are due January 15 of the fiscal year in which the costs are to be incurred. Initial estimated claims are due on the date specified in the claiming instructions. Timely filed estimated claims are paid before those filed after the deadline.

After receiving payment for an estimated claim, the claimant must file a reimbursement claim by January 15 following the fiscal year in which costs were incurred. If the claimant fails to file a reimbursement claim, monies received for the estimated claims must be returned to the State.

C. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by a school district and county superintendent of schools with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by January 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed on page 5.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies,

as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three-year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

A base year entitlement is determined by computing the average of the claimant's costs for any three consecutive years after the program has been approved for the SMAS process. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years, which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

3. Minimum Claim Amount

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

4. Filing Deadline for Claims

Initial reimbursement claims (first-time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within 120 days from the date of issuance of the program's claiming instructions by the SCO. If the initial reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% penalty. A claim filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for costs incurred during the previous fiscal year and estimated claims for costs to be incurred during the current fiscal year must be filed with the SCO and postmarked on or before January 15. If the annual or estimated reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$1,000. Claims must include supporting data to show how the amount claimed was derived. Without this information, the claim cannot be accepted.

Entitlement claims do not have a filing deadline. However, entitlement claims and supporting documents should be filed by January 15 to permit an orderly processing of claims. Entitlement claims are used to establish a base year entitlement amount for calculating automatic annual payments. Entitlement does not result in the claimant being reimbursed for costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

5. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must

be properly filled out, signed, and dated by the entity's authorized officer.

Reimbursement and estimated claims are paid within 60 days of the filing deadline for the claim, or 15 days after the date the appropriation for the claim is effective, whichever is later. A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. The SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs. The 20 percent withheld is not subject to accrued interest.

In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature, which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the COSM which will include these amounts in its report to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. When the supplementary funds are made available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or P's & G's, the determination of allowable and unallowable costs for mandates is based on the P's & G's adopted by the COSM. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the P's & G's.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's P's & G's. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops general education, and travel costs.

6. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the COSM.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each school district that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the Implicit Price Deflator (IPD), which is applied separately to each year's costs for

the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

Each school district with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and average daily attendance.

In the event a school district has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the school district may file an entitlement claim for each of those missed years to establish a base year entitlement. An "entitlement claim" means any claim filed by a school district with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the school district determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based is set forth in GC Section 17615.8 and requires the approval of the COSM.

School Mandates Included in SMAS

Program Name	Chapter/Statute	Program Number
Immunization Records	Ch. 1176/77	32

Pupil Expulsion Transcripts, program #91, Chapter 1253/75 was removed from SMAS for the 2002-03 fiscal year. This program was consolidated with other mandate programs that are included in Pupil Suspension, Expulsions, and Expulsion Appeals, program #176.

7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Each claimed reimbursable cost must be supported by documentation as described in Section 12. Costs that are typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A school district may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claim must include a computation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099)] \div 1,800 \text{ hrs} = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to EAS, multiply the biweekly salary by 26. To convert a monthly salary to EAS, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:		
Step 1: Fringe Benefits as a Percent of Salary		Step 2: Productive Hourly Rate
Retirement	15.00 %	Formula: $[(EAS \times (1 + FBR)) \div APH] = PHR$ $[(\$26,000 \times (1.3115)) \div 1,800] = \18.94
Social Security & Medicare	7.65	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
Total	31.15 %	
Description:		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
FBR = Fringe Benefit Rate		PHR = Productive Hourly Rate

- As illustrated in Table 3, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages, and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances where the parameters and guidelines allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hrs	\$6.00	\$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		\$45.88
Average Productive Hourly Rate is \$45.88/5.50 hrs. = \$8.34			

(d) Employer's Fringe Benefits Contribution

A school district has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00%
Social Security	7.65%
Health and Dental	
Insurance	5.25%
Worker's Compensation	0.75%
Total	<u>28.65%</u>

(e) Materials and Supplies

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by local agencies.

(f) Calculating a Unit Cost for Materials and Supplies

In those instances where the parameters and guidelines suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

Table 1: Calculating A Unit Cost for Materials and Supplies

Supplies	<u>Cost Per Unit</u>	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper	0.02	4	\$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	<u>0.40</u>
			<u>\$0.64</u>

Table 2: Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u>\$9.50</u>
If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (\$9.50 / 25).		

(g) Contract Services

The cost of contract services is allowable if the school district lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the parameters and guidelines for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the parameters and guidelines for the particular mandate. Equipment rentals used solely for the mandate is reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the parameters and guidelines specify them as allowable. If they are allowable, the parameters and guidelines for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the parameters and guidelines may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure

and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

School districts and county superintendents of schools may use the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data whichever is applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by mandated direct costs not included in either (1) total support services, EDP No. 422 of the J-380 or J-580, or (2) indirect costs on Form ICR of the California Department of Education's SACS Financial Reporting Software. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

9. Time Study Guidelines

Background

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a formula for reimbursing school district costs mandated by the state that meet certain conditions specified in GC Section 17518.5(a). For costs incurred prior to January 1, 2005, a time study can only substitute for continuous records of actual time spent for a specific fiscal year if the program's P's & G's allow for the use of time studies.

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study, which are described below. Application of time study results is restricted. As explained in Time Study Results below the results may be projected forward a maximum of two years provided the claimant meets certain criteria.

Actual Time Reporting

Parameters and Guidelines define reimbursable activities for each mandated cost program. (Some P's & G's refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which

clarify documentation requirements discussed under the Reimbursable Activities section of recent P's & G's):

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates, or other distribution percentages determined before services are performed, do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

A time study plan is necessary before conducting the time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs.
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's P's & G's, which are derived from the program's Statement of Decision. If a reimbursable activity in the P's & G's identifies separate and distinct sub-activities, they must also be treated as individual activities.

For example, sub-activities (a), (b), and (c) under reimbursable activity (B) (1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. These sub-activities do not have to be separately studied.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity.
- Employee universe – The employee universe used in the time study must include all positions whose salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.
- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very

large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable in situations where employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activity on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence, which validates that the work was actually performed. As with actual time reporting, budget estimates, or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Time study results must be summarized to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained.

Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period July 1, 2004, through December 31, 2004, unless (1) the program's P's & G's specifically allow time studies, and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims – When filing an initial claim for new mandated programs, claimants may only use time study results for costs incurred on or after January 1, 2005. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's P's & G's specifically allow time studies, and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain corroborating evidence that validates the mandated activity was actually performed. Time study results used to support subsequent years' claims are subject to the recordkeeping requirements for those claims.

10. Offset Against State Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC Section 17561.

Example 1:

As illustrated in Table 5, this example shows how the "Offset against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

Table 5: Offset Against State Mandates, Example 1

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims are the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500, and claimable costs are \$0.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

Example 2:

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

Table 6: Offset Against State Mandates, Example 2

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

** School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims are \$1,125. Therefore, the claimable mandated costs are \$375.

Federal and State Funding Sources

State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular (OMB) 2 CFR Part 225.

11. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

12. Audit of Costs

All claims submitted to the State Controller's Office (SCO) are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the COSM. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall

be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

On-site audits will be conducted by the SCO as deemed necessary. Accordingly, all documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or amended regardless of the year of costs incurred. When no funds are appropriated for initial claims at the time the claim is filed, supporting documents must be retained for three years from the date of initial payment of the claim. Claim documentation shall be made available to the SCO on request.

13. Source Documents

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing school district costs mandated by the State" that meets certain conditions specified in 17518.5(a). For costs incurred prior to January 1, 2005, time study can substitute for continuous records of actual time spent for a specific fiscal year only if the program's P's & G's allow for the use of time studies.

14. Claim Forms and Instructions

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

A. Form-2, Component/Activity Cost Detail

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than three years after the reimbursement claim was filed or last amended.

B. Form-1, Claim Summary

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

School districts and county superintendents of schools may compute the amount of indirect costs using the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data applicable to the fiscal year of the claim.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the school district. All applicable information from Form-1 must be carried forward onto this form in order for the SCO to process the claim for payment. An original and one copy of the FAM-27 is required.

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment, and all other forms and supporting documents (**To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**) Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual and the old forms they replace should be removed. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, or send e-mail to lrdsar@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

16. Retention of Claim Records and Supporting Documentation

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the COSM's P's and G's. If any adjustments are made to a claim, a "Notice of Claim Adjustments" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2006-29

ANNUAL REVISIONS - SCHOOL DISTRICTS

OCTOBER 24, 2006

Government Code (GC) section 17561 provides for the reimbursement of state mandated costs. Enclosed is information for updating the Mandated Cost Manual for Schools. The manual contains all forms and instructions that are necessary for school districts to file 2005-06 fiscal year annual claims with the State Controller's Office (SCO).

Estimated claims for costs to be incurred during the 2006-07 fiscal year and reimbursement claims detailing the costs actually incurred in the 2005-06 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before January 16, 2007.** If the reimbursement claim is filed after the deadline, but by January 15, 2008, the approved claim will be reduced by a late penalty of 10% for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$1,000. In order for a claim to be considered properly filed, the claim must include supporting documentation as specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline or without supporting documentation.

Amounts appropriated for payment of program costs are shown beginning on page five under "Appropriations for the 2006-07 Fiscal Year." The fiscal years for which costs can be claimed for a mandated cost program are shown beginning on page six under "Reimbursable State Mandated Cost Programs." To prepare 2006-07 estimated claims and 2005-06 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

MINIMUM CLAIM COST

GC section 17564(a) provides that no claim shall be filed pursuant to sections 17551 and 17561, unless such claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. Combined claims may be filed only when the county superintendent of schools is the fiscal agent for the school districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

ESTIMATED CLAIMS

Unless otherwise specified in the claiming instructions, claimants do not have to provide cost schedules and supporting documents with the estimated claim if the estimated amount does not exceed the prior fiscal year's actual costs by more than 10%. The claimant can simply enter the estimated amount on form FAM-27, line (07). However, if the estimated claim exceeds the prior fiscal year's actual costs by more than 10%, the claimant must complete claim forms as specified in the claiming instructions for the program and explain the reason for the increased costs. If the explanation to support the higher estimate is not provided, the claim will automatically be adjusted to 110% of the prior fiscal year's actual costs.

PROGRAM UPDATES FOR 2005-06 FISCAL YEAR

Updates of Rates and Factors

The following rates are to be used for filing 2005-06 reimbursement claims. These rates are computed by adjusting the 2004-05 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of August 30, 2006, *National Deflators, State and Local Purchases*. The estimated change in the IPD for 2005-06 is 6%. For preparing the 2006-07 estimated claims, districts may use the program's 2005-06 rate or increase the 2005-06 rate by the estimated 2006-07 IPD change of 3.7% to determine 2006-07 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- *Ch. 448/75, Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools/Pupil Suspensions: Parent Classroom Visits (Program No. 272).*

The 2005-06 unit rate is \$0.0741 per page of printed notification material distributed to parents and guardians, and \$0.2947 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2005-06 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is \$3.879.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2005-06 maximum reimbursement hourly rate for contract services is \$132.85. Staffing cost

reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class. The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2005-06 unit rate is \$6.15 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by the SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance from the previous fiscal year.

Once the district has filed actual costs for 1989-90 through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2005-06 unit rate is \$7.50 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California. And \$3.93 per student in the seventh grade.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2005-06 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$43.41 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$30.86 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2005-06 unit cost reimbursement is \$15.54 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents/guardians, and associated record keeping.

- *Ch. 668/78, Pupil Exclusions (Program No. 165)*

The 2005-06 unit cost reimbursement is \$0.22 per page for the cost of including specific information in the notice of pupil exclusion to the parents or guardian. The unit cost rate covers all costs (direct and indirect) of performing activities required by subparagraph (2), (3), and (4), of Education Code Section 48213.

- Ch. 1347/80, Scoliosis Screening (Program No. 58)

The 2005-06 unit cost rate is \$7.37 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

- *Ch. 818/91, Aids Prevention Instruction II (Program No. 250)*

The 2005-06 uniform cost allowance is \$0.0743 per notice. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 1208/76, Pupil Health Screenings (Program 261)*

The 2005-06 uniform cost allowance for: (a) Notification to Parents is \$0.0724; (b) Obtaining Parental Compliance is \$4.7304; (c) Exclusion of Pupils is \$12.44; (d) Statistical Reporting is not applicable since the reimbursement period expired 12/31/04.

- *Ch. 1136/93, Brown Act Reform (Schools) (Program 218)*

The 2005-06 uniform cost allowance is \$135.66 for the period **July 1, 2005, to July 18, 2005**, only because the order to set aside this program is effective July 19, 2005.

FINAL FILING DEADLINE FOR 2005-06 FISCAL YEAR CLAIMS

The final filing deadline for 2005-06 reimbursement claims is **January 16, 2007**. A late penalty of 10% of the approved claim will be applied to 2005-06 claims filed after January 16, 2007. **Claims filed after January 15, 2008, will not be accepted.**

APPROPRIATIONS FOR THE 2006-07 FISCAL YEAR

Item 6110-295-0001

272	(1) Ch.	36/77	Annual Parent Notification	\$1,000
172	(2) Ch.	98/94	Caregiver Affidavits	1,000
153	(3) Ch.	161/93	Intradistrict Attendance	1,000
42	(4) Ch.	486/75	Mandate Reimbursement Process	1,000 ¹
26	(5) Ch.	498/83	Graduation Requirements	1,000
48	(6) Ch.	498/83	Notification of Truancy	1,000
176	(7) Ch.	498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
249	(8) Ch.	781/92	Charter Schools	1,000
N/A	(9) Ch.	799/80	PERS Death Benefits	1,000 ²
250	(10) Ch.	818/91	AIDS Prevention Instruction I and II	1,000
11	(11) Ch.	961/75	Collective Bargaining	1,000
139	(12) Ch.	1208/76	Pupil Health Screenings	1,000
173	(13) Ch.	975/95	Physical Performance Tests	1,000
155	(14) Ch.	1011/84	Juvenile Court Notices II	1,000
57	(15) Ch.	1107/84	Removal of Chemicals	1,000
157	(16) Ch.	1117/89	Law Enforcement Agency Notifications	1,000
32	(17) Ch.	1176/77	Immunization Records	1,000
166	(18) Ch.	1184/75	Habitual Truants	1,000
91	(19) Ch.	1253/75	Pupil Expulsion Transcripts	1,000
150	(20) Ch.	1306/89	Notification to Teachers of Public Expulsion	1,000
58	(21) Ch.	1347/80	Scoliosis Screening	1,000
N/A	(22) Ch.	1398/74	PERS Unused Sick Leave Credit	1,000 ²
182	(23) Ch.	309/95	Pupil Residency Verification and Appeals	1,000
183	(24) Ch.	588/97	Criminal Background Checks	1,000
184	(25) Ch.	624/92	School Bus Safety I and II	0 ³
186	(26) Ch.	465/76	Peace Officers Procedural Bill of Rights	1,000
192	(27) Ch.	36/77	Financial and Compliance Audits	1,000
195	(28) Ch.	640/97	Physical Education Reports	1,000
198	(29) Ch.	1120/96	Health Benefits for Survivors of Peace Officers & Firefighters	1,000
209	(30) Ch.	917/87	County Office of Education Fiscal Accountability Reporting	1,000
258	(31) Ch.	100/81	School District Fiscal Accountability Reporting	1,000
194	(32) Ch.	126/93	Law Enforcement Sexual Harassment Training	0 ³
207	(33) Ch.	784/95	County Treasury Withdrawals	0 ³
223	(34) Ch.	736/97	Comprehensive School Safety Plans	1,000
230	(35) Ch.	325/78	Immunization Records-Hepatitis B	1,000
228	(36) Ch.	1192/80	School District Reorganization	1,000
249	(37) Ch.	34/98	Charter Schools II	1,000
251	(38) Ch.	594/98	Criminal Background Checks II	1,000
226	(39) Ch.	1170/96	Grand Jury Proceedings	0 ³
244	(40) Ch.	100/81	Pupil Promotion and Retention	1,000

¹ This program was suspended per Budget Act Item 8885-295-001, Sch. (3)(y) for the 2006-07 fiscal year.

² Numbers (9) and (22) are for transfer to the Public Employees' Retirement Fund for reimbursement of costs incurred pursuant to 799/80 or 1398/74.

³ These programs have been suspended for the 2005-06 and 2006-07 fiscal years.

Item 6110-295-0001 (Cont'd.)

252 (41) Ch.	331/98	Teacher Incentive Program	1,000
253 (42) Ch.	30/98	Differential Pay and Reemployment	1,000
Total Appropriations, Item 6110-295-0001			\$38,000

REIMBURSABLE STATE MANDATED COST PROGRAMS

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2005-06 Reimburse- ment Claims	2006-07 Estimated Claims	Pgm #	School Districts and County Offices of Education
x	x	170 Ch. 77/78	Absentee Ballots
x	x	250 Ch. 818/91	AIDS Prevention Instruction II
x	x	272 Ch. 36/77	Annual Parent Notification III
x	x	172 Ch. 98/94	Caregiver Affidavits
x	x	249 Ch. 34/98	Charter Schools
x	x	209 Ch. 917/87	COE Fiscal Accountability Reporting
x	x	11 Ch. 961/75	Collective Bargaining
x	x	223 Ch. 736/97	Comprehensive School Safety Plans
x	x	183 Ch. 588/97	Criminal Background Checks I
x	x	251 Ch. 594/98	Criminal Background Checks II
x	x	253 Ch. 30/98	Differential Pay and Reemployment
x	x	210 Ch. 650/94	Employee Benefits Disclosure
x	x	91 Ch. 1253/75	Expulsion Transcripts
x	x	192 Ch. 36/77	Financial and Compliance Audits
x	x	26 Ch. 498/83	Graduation Requirements
x	x	166 Ch. 1184/75	Habitual Truant
x	x	198 Ch. 1120/96	Health Benefits for Survivors of Peace Officers & Firefighters
x ¹	x ¹	268 Ch. 1/99	High School Exit Exam
x	x	32 Ch. 1176/77	Immunization Records
x	x	230 Ch. 325/78	Immunization Records: Hepatitis B
x	x	153 Ch. 161/93	Intradistrict Attendance
x	x	155 Ch. 1011/84	Juvenile Court Notices II
x	x	157 Ch. 1117/89	Law Enforcement Agency Notification
x ¹	x ¹	265 Ch. 828/97	National Norm-Referenced Achievement Test
x	x	48 Ch. 498/83	Notification of Truancy

¹ These are new programs and funding is not yet available for the 2005-06 and 2006-07 fiscal years.

REIMBURSABLE STATE MANDATED COST PROGRAMS (continued)

2005-06	2006-07			School Districts and County Offices of Education
Reimburse- ment Claims	Estimated Claims			
x	x	150Ch.	1306/89	Notification to Teachers: Pupils Subject to Suspension or Expulsion
x	N/A ⁴	218Ch.	641/86	Open Meetings Act/Brown Act Reform
x	x	154Ch.	1284/88	Parent Classroom Visits
x	x	186Ch.	465/76	Peace Officers Procedural Bill of Rights
x	x	214Ch.	875/85	Photographic Record of Evidence
x	x	195Ch.	640/97	Physical Education Reports
x	x	173Ch.	975/95	Physical Performance Tests
x	x	151Ch.	965/77	Pupil Classroom Suspension: Counseling
x	x	165 Ch.	668/78	Pupil Exclusions
x	x	139 Ch	965/77	Pupil Health Screenings
x	x	244 Ch	100/81	Pupil Promotion and Retention
x	x	182 Ch	309/95	Pupil Residency Verification and Appeals
x	x	176 Ch	1253/75	Pupil Suspensions, Expulsions, and Expulsion Appeals
x	x	57 Ch	1107/84	Removal of Chemicals
x	x	171 Ch	1463/89	School Accountability Report Cards
x	x	258 Ch	100/81	School District Fiscal Accountability Reporting
x	x	228 Ch	1192/80	School District Reorganization
x	x	58 Ch	1347/80	Scoliosis Screening
x	x	208 Ch	828/97	Standardized Testing & Reporting
x	x	252 Ch	331/98	Teacher Incentive Program
x	x	162 Ch	1249/92	Threats Against Peace Officers

⁴ This program has been set aside pursuant to AB138 effective 07/19/05.

PROGRAMS SUSPENDED FOR THE 2006-07 FISCAL YEAR

Pursuant to GC §17581.5, the following education state mandated programs are identified in the 2006 State Budget Act, with a \$0 appropriation. Therefore, the following state mandated programs have been suspended for the 2006-07 fiscal year, and no claim for fiscal year 2006-07 shall be filed.

Pgm. #

206	Ch. 784/95	County Treasury Oversight Committee
226	Ch. 1170/96	Grand Jury Proceedings
169	Ch. 783/95	Investment Reports
194	Ch. 126/93	Law Enforcement Sexual Harassment Training
184	Ch. 624/92	School Bus Safety I & II
190	Ch. 759/92	School Crimes Reporting II (Ch. 410, Stats. 1995)

The following education state mandated programs have been determined to be optional, repealed, or overturned by the court:

Pgm. #

148	Ch. 172/86	Interdistrict Attendance Permits
149	Ch. 172/86	Interdistrict Transfer Requests: Parent’s Employment
156	Ch. 160/93	School District of Choice: Transfers and Appeals
199	Ch. 1138/93	Schoolsite Councils and Brown Act Reform
146	Ch. 87/86	Schoolsite Discipline Rules

The Commission on State Mandates has set aside the Parameters and Guidelines for the following programs:

Pgm. #

179	Ch. 778/96	American Government Course Documentation Requirements
218	Ch. 641/86	Open Meetings/Brown Act Reform (Effective 07/19/05)

AUDIT OF COSTS

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the Commission on State Mandate's Parameters and Guidelines (P's and G's). If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

SOURCE DOCUMENTS

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

RETENTION OF CLAIMING INSTRUCTIONS

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual to replace the old forms. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's Web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to LRSDAR@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

NOTIFICATION OF TRUANCY

1. Summary of Chapter 498/83

Education Code § 48260.5, as added by Chapter 498, Statutes of 1983, requires that school districts, upon a pupil's initial classification as a truant, notify the pupil's parent or guardian by first-class mail or other reasonable means, of the pupil's truancy, that the parent or guardian is obligated to compel the attendance of the pupil at school and that the parent or guardian who fails to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with § 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of alternative educational programs available in the district, and the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

- (1) Truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code § 48260).
- (2) A student shall be classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code 48260.5 as enacted by Chapter 498, Statutes of 1983.

On November 29, 1984, the Commission on State Mandates determined that Chapter 498, Statutes of 1983, resulted in state mandated costs which are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

2. Eligible Claimants

Any school district (K-12) or county office of education that incurs increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

Claims may only be filed with the State Controller's Office for programs that have been funded in the state budget, the State Mandates Claims Fund, or in special legislation. To determine if this program is funded in subsequent fiscal years, refer to the schedule "Appropriation for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to county superintendents of schools and superintendents of schools.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year. However, any county superintendent of schools, as fiscal agent for the school district, may submit a combined claim in excess of \$200 on behalf of one or more districts within the county even if the individual district's claim does not exceed \$200. A combined claim must show the individual costs for each district.

Once a combined claim is filed, all subsequent years relating to the same mandate must be filed in a combined form. The county receives the reimbursement payment and is responsible for disbursing funds to each participating district. A district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office of its intent to file a separate claim at least 180 days prior to the deadline for

filing the claim.

5. Filing Deadline

Refer to the item, "Reimbursable State Mandated Cost Programs", contained in the annual cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19__/_ Reimbursement Claim", and/or "19__/_ Estimated Claim", claims may be filed as follows:

- (1) An estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the district fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed on a unit cost basis for an initial notice to the parents or guardian regarding the pupil's truancy. For the 1995/96 fiscal year the unit rate is \$10.97 per initial notice. The unit rate is adjusted annually by the changes in the implicit price deflator and covers all direct and indirect costs of the following on-going activities:

- A. Identifying the Truant Pupil
- B. Notification to Parent or Guardian
- C. Printing Additional Forms
- D. Recordkeeping

7. Reimbursement Limitations

- A. This program does not provide reimbursement for activities related to resolving truancy problems (i.e., referrals to attendance review board, meetings with parent or guardian to discuss the pupil's truancy problems and/or discuss alternative educational programs, etc.).
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. service fees collected, federal funds, other state funds, etc.) as a result of this mandate shall be identified and deducted so only net local costs are claimed.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

8. Form NOT-1, Claim Summary

This form is used to compute the amount of claimable costs based on the number of reports forwarded to the governing board with the recommendation not to expel the student. The claimant must give the number of truant notifications. The cost data on this form is carried forward to form FAM-27.

9. Form FAM-27, Claim for Payment

Form FAM-27 contains a certification that must be signed by an authorized representative of the district. All applicable information from form NOT-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 048
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L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data	
	(02) Claimant Name		(22) NOT-1, (03)	
	County of Location		(23)	
	Street Address or P.O. Box Suite		(24)	
	City State Zip Code		(25)	
	Type of Claim	Estimated Claim	Reimbursement Claim	(26)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(27)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
Fiscal Year of Cost	(06) 20 ___/20 ___	(12) 20 ___/20 ___	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer _____ Date _____

Type or Print Name _____ Title _____

(38) Name of Contact Person for Claim Telephone Number () - Ext. _____
E-Mail Address _____

Program 048	NOTIFICATION OF TRUANCY Certification Claim Form Instructions	FORM FAM-27
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM 1
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- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

 Form 1 must be filed for a reimbursement claim. Do not complete form 1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form 1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2005-06 fiscal year is \$15.54 per initial notification. This cost rate will be updated early and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.), which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
 - Trip begins at or before 6 a.m. - Breakfast may be claimed
 - Trip begins at or before 11 a.m. - Lunch may be claimed
 - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
 - Trip ends at or after 8 a.m. - Breakfast may be claimed
 - Trip ends at or after 2 p.m. - Lunch may be claimed
 - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

Short-Term Travel Maximum Lodging Reimbursement Rate

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

Long-Term Travel

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

A. Full Long-Term Travel

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

B. Partial Long-Term Travel

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

Receipts

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
 1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
 2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
 3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
 4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

Mileage

Effective July 1, 2006, when an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, the employee will be allowed to claim and be reimbursed 44.5 cents per mile. Effective January 1, 2007, reimbursement rate is 48.5 cents per mile.

B. GOVERNMENT CODE SECTIONS 17500-17617

GC §17500: Legislative Findings and Declarations

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

GC §17510: Construction of Part

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

GC §17511: "City"

"City" means any city whether general law or charter, except a city and county.

GC §17512: "Commission"

"Commission" means the Commission on State Mandates.

GC §17513: "Cost Mandated by the Federal Government"

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

GC §17514: "Costs Mandated by the State"

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

GC §17515: "County"

"County" means any chartered or general law county. "County" includes a city and county.

GC §17516: "Executive Order"

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

GC §17517.5: "Cost Savings authorized by the state"

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

GC §17518: "Local Agency"

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

GC §17518.5: "Reasonable Reimbursement Methodology"

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets the following conditions: (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner. (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner. (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (c) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

GC §17519: "School District"

"School district" means any school district, community college district, or county superintendent of schools.

GC §17520: "Special District"

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or

area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

GC §17521: "Test Claim"

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state.

GC §17522: Definitions

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

GC §17523: "Deflator"

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

GC §17524: "Base Year Entitlement"

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

GC §17525: Members: Term and Per Diem for Specified Members

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the

discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

GC §17526: Open Meetings: Executive Sessions

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

GC §17527: Powers of Commission

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

GC §17528: Election of Officers

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

GC §17529: Appointment of Attorney: Duties

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

GC §17530: Appointment of Executive Director: Duties

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

GC §17531: Authority of Executive Director to Employ Necessary Staff

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

GC §17532: Quorum: Investigations, Inquiries, and Hearing

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

GC §17533: Provisions not Applicable to Hearing by Commission

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

GC §17550: Reimbursements of Local Agencies and Special Districts

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

GC §17551: Commission Hearing and Decision Upon Claims

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

GC §17552: Exclusivity of Procedure by Chapter

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings

(a) The commission shall adopt procedures for receiving claims pursuant to this article and for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department

or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other nonlocal agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Board of Control or the Commission on State Mandates that may be related to the alleged mandate. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Board of Control and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included. (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

GC §17554: Commission's Authority to Expedite Claim

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

GC §17555: Date for Public Hearing: Test Claim Form and Procedure

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

GC §17556: Criteria for not Finding Costs Mandated by the State

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposed duties that were expressly included in a ballot measure approved by the voters in a statewide or local election. (g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c)

The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before January 15 following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions

(a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the adoption or amendment of parameters and guidelines pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose. (b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the commission. (c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled

Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

GC §17558.6: Legislative Intent

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

GC §17559: Judicial Review

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

GC §17560: Deadlines for Filing Reimbursement Claims

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b). (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

GC §17561: Reimbursement of Costs for State Mandated Programs

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 that includes the amounts awarded relating to these chaptered bills or executive orders. (c) The amount appropriated to reimburse local agencies and

school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.

GC §17561.5: Payment of Claim with Interest

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

GC §17561.6: Payment

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

GC §17562: Review of Costs of State-Mandated Local Programs

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by January 1 of each year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate to the statewide cost estimate adopted by the commission. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall identify mandates that significantly exceed the statewide cost estimate adopted by the commission. The Legislative Analyst shall make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections 17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

GC §17563: Use of Funds Received for Public Purpose

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

GC §17564: Filing of Claims: Threshold Amount

(a) No claim shall be made pursuant to Sections 17551 and 17561, nor shall any payment be made on claims submitted pursuant to Sections 17551 and 17561, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.

GC §17565: Reimbursement of Subsequently Mandated Costs

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

GC §17567: Insufficiency of Appropriation: Proration of Claims

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, the Controller shall transmit this information to the commission which shall include these amounts in its report to the Legislature pursuant to Section 17600 to assure that an appropriation sufficient to pay the claims is included in the local government claims bills or other appropriation bills. If the local government claims bills required by Section 17612 have been introduced in the Legislature, the Controller shall report directly to the chairperson of the respective committee in each house of the Legislature which considers appropriations to assure inclusion of a sufficient appropriation in the claims bills.

GC §17568: Payment of Claims Submitted After Deadline

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). In no case shall a reimbursement claim be paid which is submitted more than one year after the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

GC §17570: Annual Report to Legislature

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

GC §17571: Review and Modification of Claiming Instructions

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

GC §17572: Amended Animal Adoption Parameters and Guidelines

(a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below: (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable. (2) Clarify how the costs for care and maintenance shall be calculated. (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office. (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005-06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581. (c) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005-06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.

GC §17575: Review of Bills

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

GC §17576: Amendment of Bills on Floor: Notification by Legislative Counsel

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

GC §17577: Amount of Estimates

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being

one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

GC §17600: Report on Number of Mandates and Their Costs

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

GC §17601: Report on Claims Denied

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions

(a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

GC §17613: Authorization of Augmentation for Mandated Costs

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made

sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

GC §17615: Legislative Findings and Intent

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming, cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

GC §17615.1: Review of Programs for Inclusion in System

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

GC §17615.2: Calculation of Disbursement Amounts

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

GC §17615.3: Annual Recalculation of Allocation

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to

establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvene that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

GC §17615.4: Procedure for Newly Mandated Program

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

GC §17615.6: Procedure Where Program is No Longer Mandatory

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

GC §17615.7: Procedure Where Program is Modified

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

GC §17615.8: Review of Base Year Entitlement

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

GC §17615.9: Review of Programs Under SMAS

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

GC §17616: Audits and Verification by Controller

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

GC §17617: Local Agency Payment

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

FILING A CLAIM

RECEIVED
December 16, 2013
*Commission on
State Mandates*

1. Introduction

The law in the State of California, (GC Sections 17500 through 17617), provides for the reimbursement of costs incurred by school districts for costs mandated by the State. Costs mandated by the State means any increased costs which a school district is required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Estimated claims that show costs to be incurred in the current fiscal year and reimbursement claims that detail the costs actually incurred for the prior fiscal year may be filed with the State Controller's Office (SCO). Claims for on-going programs are filed annually by February 15. Claims for new programs are filed within 120 days from the date claiming instructions are issued for the program. A 10 percent penalty, up to \$10,000 for continuing claims, no limit for initial claims, is assessed for late claims. The SCO may audit the records of any school district to verify the actual amount of mandated costs and may reduce any claim that is excessive or unreasonable.

When a program has been reimbursed for three or more years, the Commission on State Mandates (COSM) may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement do not file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds are made available.

The instructions contained in this manual are intended to provide general guidance for filing a mandated cost claim. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

2. Types of Claims

There are three types of claims: Reimbursement, estimated, and entitlement. A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year or may file an estimated claim for mandated costs to be incurred during the current fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable. The claim must be filed with sufficient documentation to support the costs claimed. The types of documentation required to substantiate a claim are identified in the instructions for the program. The certification of claim, form FAM-27, must be signed and dated by the entity's authorized officer in order for the SCO to make payment on the claim.

A. Reimbursement Claim

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. The claim must include supporting documentation to substantiate the costs claimed.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal years of a program that was previously unfunded. Claims are due 120 days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual reimbursement claims must be filed by February 15 following the fiscal year in which costs were incurred for the program. A reimbursement claim must detail the costs actually incurred in the prior fiscal year.

An actual claim for the 2006-07 fiscal year may be filed by February 15, 2008, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

B. Estimated Claim

An estimated claim is defined in GC Section 17522 as any claim filed with the SCO, during the fiscal year in which the mandated costs are to be incurred by the school districts and county superintendent of schools, against an appropriation made to the SCO for the purpose of paying those costs.

An estimated claim may be filed in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times for estimated costs to be incurred during the current fiscal year. Annual estimated claims are due February 15 of the fiscal year in which the costs are to be incurred. Initial estimated claims are due on the date specified in the claiming instructions. Timely filed estimated claims are paid before those filed after the deadline.

After receiving payment for an estimated claim, the claimant must file a reimbursement claim by February 15 following the fiscal year in which costs were incurred. If the claimant fails to file a reimbursement claim, monies received for the estimated claims must be returned to the State.

C. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by a school district and county superintendent of schools with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by February 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed on page 5.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies,

as determined by the State Department of Finance. For programs approved by the COSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three-year base period is adjusted according to any changes by both the deflator and average daily attendance. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

A base year entitlement is determined by computing the average of the claimant's costs for any three consecutive years after the program has been approved for the SMAS process. The amount is first adjusted according to any changes in the deflator. The deflator is applied separately to each year's costs for the three years, which comprise the base year. The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

3. Minimum Claim Amount

GC Section 17564(a) provides that no claim shall be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts. A combined claim must show the individual claim costs for each eligible district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

4. Filing Deadline for Claims

Initial reimbursement claims (first-time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within 120 days from the date of issuance of the program's claiming instructions by the SCO. If the initial reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% penalty. A claim filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for costs incurred during the previous fiscal year and estimated claims for costs to be incurred during the current fiscal year must be filed with the SCO and postmarked on or before February 15. If the annual or estimated reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$10,000. Claims must include supporting data to show how the amount claimed was derived. Without this information, the claim cannot be accepted.

Entitlement claims do not have a filing deadline. However, entitlement claims and supporting documents should be filed by February 15 to permit an orderly processing of claims. Entitlement claims are used to establish a base year entitlement amount for calculating automatic annual payments. Entitlement does not result in the claimant being reimbursed for costs incurred, but rather entitles the claimant to receive automatic payments from SMAS.

5. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must

be properly filled out, signed, and dated by the entity's authorized officer.

A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. The SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs. The 20 percent withheld is not subject to accrued interest.

Pursuant to GC section 17561(d), the Controller shall pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature, which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the COSM which will include these amounts in its report to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. When the supplementary funds are made available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or P's & G's, the determination of allowable and unallowable costs for mandates is based on the P's & G's adopted by the COSM. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the COSM. The SCO determines allowable reimbursable costs, subject to amendment by the COSM, for mandates funded by special legislation. Unless specified, allowable costs are those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the P's & G's.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's P's & G's. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops general education, and travel costs.

6. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the COSM.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each school district that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the Implicit Price Deflator (IPD), which is applied separately to each year's costs for

the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

Each school district with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and average daily attendance.

In the event a school district has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the school district may file an entitlement claim for each of those missed years to establish a base year entitlement. An "entitlement claim" means any claim filed by a school district with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the school district determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based is set forth in GC Section 17615.8 and requires the approval of the COSM.

School Mandates Included in SMAS

Program Name	Chapter/Statute	Program Number
Immunization Records	Ch. 1176/77	32

Pupil Expulsion Transcripts, program #91, Chapter 1253/75 was removed from SMAS for the 2002-03 fiscal year. This program was consolidated with other mandate programs that are included in Pupil Suspension, Expulsions, and Expulsion Appeals, program #176.

7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Each claimed reimbursable cost must be supported by documentation as described in Section 12. Costs that are typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A school district may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claim must include a computation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- o Paid holidays
- o Vacation earned
- o Sick leave taken
- o Informal time off
- o Jury duty
- o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
$[(EAS + Benefits) \div APH] = PHR$	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
$[(\$26,000 + \$8,099)] \div 1,800 \text{ hrs} = 18.94$	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was \$26,000 and \$8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be \$18.94. To convert a biweekly salary to EAS, multiply the biweekly salary by 26. To convert a monthly salary to EAS, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.
2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:		
Step 1: Fringe Benefits as a Percent of Salary		Step 2: Productive Hourly Rate
Retirement	15.00 %	Formula: $[(EAS \times (1 + FBR)) \div APH] = PHR$ $[(\$26,000 \times (1.3115)) \div 1,800] = \18.94
Social Security & Medicare	7.65	
Health & Dental Insurance	5.25	
Workers Compensation	3.25	
Total	31.15 %	
Description:		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
FBR = Fringe Benefit Rate		PHR = Productive Hourly Rate

- As illustrated in Table 3, both methods produce the same productive hourly rate. Reimbursement for personnel services includes, but is not limited to, compensation paid

for salaries, wages, and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances where the parameters and guidelines allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	<u>Time Spent</u>	<u>Productive Hourly Rate</u>	<u>Total Cost by Employee</u>
Employee A	1.25 hrs	\$6.00	\$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		\$45.88
Average Productive Hourly Rate is $\$45.88/5.50 \text{ hrs.} = \8.34			

(d) Employer's Fringe Benefits Contribution

A school district has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

<u>Employer's Contribution</u>	<u>% of Salary</u>
Retirement	15.00%
Social Security	7.65%
Health and Dental	
Insurance	5.25%
Worker's Compensation	0.75%
Total	<u>28.65%</u>

(e) Materials and Supplies

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by local agencies.

(f) Calculating a Unit Cost for Materials and Supplies

In those instances where the parameters and guidelines suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

Table 1: Calculating A Unit Cost for Materials and Supplies

Supplies	<u>Cost Per Unit</u>	<u>Amount of Supplies Used Per Activity</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper	0.02	4	\$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	<u>0.40</u>
			<u>\$0.64</u>

Table 2: Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u><u>\$9.50</u></u>
If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (\$9.50 / 25).		

(g) Contract Services

The cost of contract services is allowable if the school district lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the parameters and guidelines for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the parameters and guidelines for the particular mandate. Equipment rentals used solely for the mandate is reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the parameters and guidelines specify them as allowable. If they are allowable, the parameters and guidelines for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the parameters and guidelines may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure

and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

School districts and county superintendents of schools may use the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data whichever is applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by mandated direct costs not included in either (1) total support services, EDP No. 422 of the J-380 or J-580, or (2) indirect costs on Form ICR of the California Department of Education's SACS Financial Reporting Software. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

9. Time Study Guidelines

Background

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a formula for reimbursing school district costs mandated by the state that meet certain conditions specified in GC Section 17518.5(a). For costs incurred prior to January 1, 2005, a time study can only substitute for continuous records of actual time spent for a specific fiscal year if the program's P's & G's allow for the use of time studies.

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study, which are described below. Application of time study results is restricted. As explained in Time Study Results below the results may be projected forward a maximum of two years provided the claimant meets certain criteria.

Actual Time Reporting

Parameters and Guidelines define reimbursable activities for each mandated cost program. (Some P's & G's refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which

clarify documentation requirements discussed under the Reimbursable Activities section of recent P's & G's):

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates, or other distribution percentages determined before services are performed, do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

A time study plan is necessary before conducting the time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs.
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's P's & G's, which are derived from the program's Statement of Decision. If a reimbursable activity in the P's & G's identifies separate and distinct sub-activities, they must also be treated as individual activities.

For example, sub-activities (a), (b), and (c) under reimbursable activity (B) (1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. These sub-activities do not have to be separately studied.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity.
- Employee universe – The employee universe used in the time study must include all positions whose salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.
- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very

large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable in situations where employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activity on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence, which validates that the work was actually performed. As with actual time reporting, budget estimates, or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Time study results must be summarized to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained.

Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period July 1, 2004, through December 31, 2004, unless (1) the program's P's & G's specifically allow time studies, and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims – When filing an initial claim for new mandated programs, claimants may only use time study results for costs incurred on or after January 1, 2005. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's P's & G's specifically allow time studies, and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain corroborating evidence that validates the mandated activity was actually performed. Time study results used to support subsequent years' claims are subject to the recordkeeping requirements for those claims.

10. Offset Against State Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered to be eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from school district funds is eligible for reimbursement under the provisions of GC Section 17561.

Example 1:

As illustrated in Table 5, this example shows how the "Offset against State Mandated Claims" is determined for school districts receiving block grant revenues not based on a formula allocation. Program costs for each of the situations equals \$100,000.

Table 5: Offset Against State Mandates, Example 1

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$95,000	\$2,500	\$-0-	\$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	100,000 *	49,000	2,500	250	2,250

* School district share is \$50,000 of the program cost.

Numbers (1) through (4), in Table 5, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of \$100,000 are state mandated costs of \$2,500. The offset against state mandated claims are the amount of actual local assistance revenues which exceeds the difference between program costs and state mandated costs. This offset cannot exceed the amount of state mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and \$2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is \$2,500, and claimable costs are \$0.

In (5), the district is sharing 50% of the project cost. Since local assistance revenues of \$50,000 were fully realized, the offset against state mandated claims is \$1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state mandated claims is \$250. Therefore, the claimable mandated costs are \$2,250.

Example 2:

As illustrated in Table 6, this example shows how the offset against state mandated claims is determined for school districts receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to approved costs.

Table 6: Offset Against State Mandates, Example 2

	Program Costs	Actual Local Assistance Revenues	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	\$100,000	\$100,000	\$2,500	\$2,500	\$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	100,000 **	45,000	1,500	1,125	375

** School district share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

If in (3) local assistance revenues are less than the amount expected because only \$60,000 of the \$100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to \$1,500. The offset against state mandated claims are \$1,125. Therefore, the claimable mandated costs are \$375.

Federal and State Funding Sources

State school fund apportionments and federal aid for education, which are based on average daily attendance and are part of the general system of financing public schools as well as block grants which do not provide for specific reimbursement of costs (i.e., allocation formulas not tied to expenditures), should not be included as reimbursements from local assistance revenue sources.

Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular (OMB) 2 CFR Part 225.

11. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. If any adjustments are made to a claim, the claimant will receive a "Notice of Claim Adjustments" detailing adjustments made by the SCO.

12. Audit of Costs

All claims submitted to the State Controller's Office (SCO) are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the COSM. If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall

be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

On-site audits will be conducted by the SCO as deemed necessary. Accordingly, all documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or amended regardless of the year of costs incurred. When no funds are appropriated for initial claims at the time the claim is filed, supporting documents must be retained for three years from the date of initial payment of the claim. Claim documentation shall be made available to the SCO on request.

13. Source Documents

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing school district costs mandated by the State" that meets certain conditions specified in 17518.5(a). For costs incurred prior to January 1, 2005, time study can substitute for continuous records of actual time spent for a specific fiscal year only if the program's P's & G's allow for the use of time studies.

14. Claim Forms and Instructions

A claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file an estimated or reimbursement claim. The SCO will revise the manual and claim forms as necessary.

A. Form-2, Component/Activity Cost Detail

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant and copies of supporting documentation, as specified in the claiming instructions, must be submitted with the claims. All supporting documents must be retained for a period of not less than three years after the reimbursement claim was filed or last amended.

B. Form-1, Claim Summary

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

School districts and county superintendents of schools may compute the amount of indirect costs using the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data applicable to the fiscal year of the claim.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the school district. All applicable information from Form-1 must be carried forward onto this form in order for the SCO to process the claim for payment. An original and one copy of the FAM-27 is required.

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment, and all other forms and supporting documents (**To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**) Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual and the old forms they replace should be removed. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's web site at www.sco.ca.gov/ard/local/locreim/index.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, or send e-mail to lrsdar@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

16. Retention of Claim Records and Supporting Documentation

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the COSM's P's and G's. If any adjustments are made to a claim, a "Notice of Claim Adjustments" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2007-19

ANNUAL REVISIONS - SCHOOL DISTRICTS

NOVEMBER 2, 2007

Government Code (GC) section 17561 provides for the reimbursement of state mandated costs. Enclosed is information for updating the Mandated Cost Manual for Schools. The manual contains all forms and instructions that are necessary for school districts to file mandated cost claims with the State Controller's Office (SCO).

Estimated claims for costs to be incurred during the 2007-08 fiscal year and reimbursement claims detailing the costs actually incurred in the 2006-07 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before February 15, 2008.** If the reimbursement claim is filed after the deadline, but by February 15, 2009, the approved claim will be reduced by a late penalty of 10% for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$10,000. In order for a claim to be considered properly filed, the claim must include supporting documentation as specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline.

Pursuant to GC section 17561(d), the Controller shall pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later.

Amounts appropriated for payment of program costs are shown beginning on page five under "Appropriations for the 2007-08 Fiscal Year." The fiscal years for which costs can be claimed for a program are shown beginning on page six under "Reimbursable State Mandated Cost Programs." To prepare 2007-08 estimated claims and 2006-07 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

MINIMUM CLAIM COST

GC section 17564(a) provides that no claim shall be filed pursuant to sections 17551 and 17561, unless such claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school district. Combined claims may be filed only when the county superintendent of schools is the fiscal agent for the school districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to the SCO at least 180 days prior to the deadline for filing the claim.

ESTIMATED CLAIMS

Unless otherwise specified in the claiming instructions, claimants do not have to provide cost schedules and supporting documents with the estimated claim if the estimated amount does not exceed the prior fiscal year's actual costs by more than 10%. The claimant can simply enter the estimated amount on form FAM-27, line (07). However, if the estimated claim exceeds the prior fiscal year's actual costs by more than 10%, the claimant must complete claim forms as specified in the claiming instructions for the program and explain the reason for the increased costs. If the explanation to support the higher estimate is not provided, the claim will automatically be adjusted to 110% of the prior fiscal year's actual costs.

PROGRAM UPDATES FOR 2006-07 FISCAL YEAR

Updates of Rates and Factors

The following rates are to be used for filing 2006-07 reimbursement claims. These rates are computed by adjusting the 2005-06 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of April 30, 2007, *National Deflators, State and Local Purchases*. The estimated change in the IPD for 2006-07 is 3.9%. For preparing the 2007-08 estimated claims, districts may use the program's 2006-07 rate or increase the 2006-07 rate by the estimated 2007-08 IPD change of 2.6% to determine 2007-08 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- *Ch. 448/75, Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools/Pupil Suspensions: Parent Classroom Visits (Program No. 272).*

The 2006-07 unit rate is \$0.0817 per page of printed notification material distributed to parents and guardians, and \$0.3055 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2006-07 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is \$4.031.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2006-07 maximum reimbursement hourly rate for contract services is \$138.05. Staffing cost reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class.

The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2006-07 unit rate is \$6.39 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by the SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance (ADA) from the previous fiscal year.

Once the district has filed actual costs for 1989-90 through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2006-07 unit rate is \$7.79 per new entrant (K-12) and \$4.08 per student in the seventh grade. A new entrant does not include a student previously enrolled in a school within the State of California.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2006-07 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$45.11 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$32.07 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2006-07 unit cost reimbursement is \$16.15 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents or guardians, and associated record keeping.

- *Ch. 668/78, Pupil Exclusions (Program No. 165)*

The 2006-07 unit cost reimbursement is \$0.23 per page for the cost of including specific information in the notice of pupil exclusion to the parents or guardians. The unit cost rate covers all costs (direct and indirect) of performing activities required by subparagraph (2), (3), and (4), of Education Code Section 48213.

- Ch. 1347/80, Scoliosis Screening (Program No. 58)

The 2006-07 unit cost rate is \$7.66 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

- *Ch. 818/91, Aids Prevention Instruction II (Program No. 250)*

The 2006-07 uniform cost allowance is \$0.0773 per notice. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 1208/76, Pupil Health Screenings (Program 261)*

The 2006-07 uniform cost allowance for: (a) Notification to Parents is \$0.0800; (b) Obtaining Parental Compliance is \$5.19; (c) Exclusion of Pupils is \$13.65; (d) Statistical Reporting is not applicable since the reimbursement period expired 12/31/04.

FINAL FILING DEADLINE FOR 2006-07 FISCAL YEAR CLAIMS

The filing deadline for 2006-07 reimbursement claims is **February 15, 2008**. A late penalty of 10% up to a maximum of \$10,000 of the approved claim will be applied to 2006-07 claims filed after February 15, 2008. **Claims filed after February 15, 2009, will not be accepted.**

APPROPRIATIONS FOR THE 2007-08 FISCAL YEAR

Item 6110-295-0001

272	(1)	Ch.	36/77	Annual Parent Notification	\$1,000
172	(2)	Ch.	98/94	Caregiver Affidavits	1,000
153	(3)	Ch.	161/93	Intradistrict Attendance	1,000
42	(4)	Ch.	486/75	Mandate Reimbursement Process	1,000 ¹
26	(5)	Ch.	498/83	Graduation Requirements	1,000
48	(6)	Ch.	498/83	Notification of Truancy	1,000
176	(7)	Ch.	498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
277	(8)	Ch.	781/92	Charter Schools III	1,000
N/A	(9)	Ch.	799/80	PERS Death Benefits	1,000 ²
250	(10)	Ch.	818/91	AIDS Prevention Instruction I and II	1,000
11	(11)	Ch.	961/75	Collective Bargaining	1,000
139	(12)	Ch.	1208/76	Pupil Health Screenings	1,000
173	(13)	Ch.	975/95	Physical Performance Tests	1,000
155	(14)	Ch.	1011/84	Juvenile Court Notices II	1,000
57	(15)	Ch.	1107/84	Removal of Chemicals	1,000
157	(16)	Ch.	1117/89	Law Enforcement Agency Notifications	1,000
32	(17)	Ch.	1176/77	Immunization Records	1,000
166	(18)	Ch.	1184/75	Habitual Truants	1,000
176	(19)	Ch.	1253/75	Pupil Expulsion Transcripts	1,000
150	(20)	Ch.	1306/89	Notification to Teachers of Public Expulsion	1,000
58	(21)	Ch.	1347/80	Scoliosis Screening	1,000
N/A	(22)	Ch.	1398/74	PERS Unused Sick Leave Credit	1,000 ²
182	(23)	Ch.	309/95	Pupil Residency Verification and Appeals	1,000
251	(24)	Ch.	588/97	Criminal Background Checks II	1,000
184	(25)	Ch.	624/92	School Bus Safety I and II	0 ³
186	(26)	Ch.	465/76	Peace Officers Procedural Bill of Rights	1,000
192	(27)	Ch.	36/77	Financial and Compliance Audits	1,000
195	(28)	Ch.	640/97	Physical Education Reports	1,000
198	(29)	Ch.	1120/96	Health Benefits for Survivors of Peace Officers & Firefighters	1,000
209	(30)	Ch.	917/87	County Office of Education Fiscal Accountability Reporting	1,000
258	(31)	Ch.	100/81	School District Fiscal Accountability Reporting	1,000
194	(32)	Ch.	126/93	Law Enforcement Sexual Harassment Training	0 ³
206	(33)	Ch.	784/95	County Treasury Withdrawals	0 ³
223	(34)	Ch.	736/97	Comprehensive School Safety Plans	1,000
230	(35)	Ch.	325/78	Immunization Records-Hepatitis B	1,000
228	(36)	Ch.	1192/80	School District Reorganization	1,000
249	(37)	Ch.	34/98	Charter Schools II	1,000
251	(38)	Ch.	594/98	Criminal Background Checks II	1,000
226	(39)	Ch.	1170/96	Grand Jury Proceedings	0 ³
244	(40)	Ch.	100/81	Pupil Promotion and Retention	1,000

¹ This program was suspended per Budget Act Item 8885-295-001, Sch. (3)(y) for the 2006-07 and 2007-08 fiscal years per Ch. 47 & 48/06 and Ch. 171 & 172/07.

² Numbers (9) and (22) are for transfer to the Public Employees' Retirement Fund for reimbursement of costs incurred pursuant to 799/80 or 1398/74.

³ These programs have been suspended for 2006-07 and 2007-08

Item 6110-295-0001 (Cont'd.)

252	(41) Ch.	331/98	Teacher Incentive Program	1,000
253	(42) Ch.	30/98	Differential Pay and Reemployment	1,000
Total Appropriations, Item 6110-295-0001				<u>\$38,000</u>

REIMBURSABLE STATE MANDATED COST PROGRAMS

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2006-07 Reimburse- ment Claims	2007-08 Estimated Claims	Pgm. #	School Districts and County Offices of Education
x	x	170 Ch.	77/78 Absentee Ballots
x ²	x ¹	269 Ch.	893/00 Agency Fee Arrangements
x	x	250 Ch.	818/91 AIDS Prevention Instruction II
x	x	172 Ch.	98/94 Caregiver Affidavits
x	x	249 Ch.	34/98 Charter Schools II
x ¹	x ¹	277 Ch.	34/98 Charter Schools III
x	x	209 Ch.	917/87 COE Fiscal Accountability Reporting
x	x	11 Ch.	961/75 Collective Bargaining
x	x	223 Ch.	736/97 Comprehensive School Safety Plans
x ¹	x ¹	272 Ch.	448/75 Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools
x	x	251 Ch.	594/98 Criminal Background Checks II
x	x	253 Ch.	30/98 Differential Pay and Re-employment
x	x	210 Ch.	650/94 Employee Benefits Disclosure
x	x	192 Ch.	36/77 Financial and Compliance Audits
x	x	26 Ch.	498/83 Graduation Requirements
x	x	166 Ch.	1184/75 Habitual Truant
x	x	198 Ch.	1120/96 Health Benefits for Survivors of Peace Officers & Firefighters
x ¹	x ¹	268 Ch.	1/99 High School Exit Exam
x	x	32 Ch.	1176/77 Immunization Records
x	x	230 Ch.	325/78 Immunization Records: Hepatitis B
x	x	153 Ch.	161/93 Intradistrict Attendance

² These are new programs and funding is not yet available for the 2006-07 and 2007-08 fiscal years.

REIMBURSABLE STATE MANDATED COST PROGRAMS (Cont'd.)

2006-07 Reimburse- ment Claims	2007-08 Estimated Claims	Pgm #	School Districts and County Offices of Education
x	x	155 Ch.	1011/84 Juvenile Court Notices II
x	x	157 Ch.	1117/89 Law Enforcement Agency Notifications
x	x	275 Ch.	249/86 Missing Children Reports
x ³	x ¹	265 Ch.	828/97 National Norm-Referenced Achievement Test
x	x	48 Ch.	498/83 Notification of Truancy
x	x	150 Ch.	1306/89 Notification to Teachers: Pupils Subject to Suspension or Expulsion
x	x	186 Ch.	465/76 Peace Officers Procedural Bill of Rights
x	x	214 Ch.	875/85 Photographic Record of Evidence
x	x	195 Ch.	640/97 Physical Education Reports
x	x	173 Ch.	975/95 Physical Performance Tests
x	x	261 Ch.	965/77 Pupil Health Screenings
x	x	244 Ch.	100/81 Pupil Promotion and Retention
x	x	182 Ch.	309/95 Pupil Residency Verification and Appeals
x	x	176 Ch.	1253/75 Pupil Suspensions, Expulsions, and Expulsion Appeals
x	x	57 Ch.	1107/84 Removal of Chemicals
x	x	258 Ch.	100/81 School District Fiscal Accountability Reporting
x	x	228 Ch.	1192/80 School District Reorganization
x	x	58 Ch.	1347/80 Scoliosis Screening
x	x	208 Ch.	828/97 Standardized Testing & Reporting
x	x	252 Ch.	331/98 Teacher Incentive Program
x	x	162 Ch.	1249/92 Threats Against Peace Officers

³ These are new programs and funding is not yet available for the 2006-07 and 2007-08 fiscal years.

PROGRAMS SUSPENDED FOR THE 2007-08 FISCAL YEAR

Pursuant to GC §17581.5, the following education state mandated programs are identified in the 2007 State Budget Act, with a \$0 appropriation. Therefore, the following state mandated programs have been suspended for the 2007-08 fiscal year, and no claim for fiscal year 2007-08 shall be filed.

Pgm. #

206	Ch. 784/95	County Treasury Oversight Committee
226	Ch. 1170/96	Grand Jury Proceedings
194	Ch. 126/93	Law Enforcement Sexual Harassment Training
42	Ch. 486/75	Mandated Reimbursement Process
184	Ch. 624/92	School Bus Safety I & II

The following education state mandated programs have been determined to be optional, repealed, or overturned by the court:

Pgm. #

148	Ch. 172/86	Interdistrict Attendance Permits
149	Ch. 172/86	Interdistrict Transfer Requests: Parent's Employment
165	Ch. 668/78	Pupil Exclusions (AB 2855 and SB 512 eff. 1/1/05 and 10/7/05 resp.)
156	Ch. 160/93	School District of Choice: Transfers and Appeals
199	Ch. 1138/93	Schoolsite Councils and Brown Act Reform
146	Ch. 87/86	Schoolsite Discipline Rules

The Commission on State Mandates has set aside the Parameters and Guidelines for the following programs:

Pgm. #

179	Ch. 778/96	American Government Course Documentation Requirements
218	Ch. 641/86	Open Meetings/Brown Act Reform (AB 138 effective 07/19/05)
109 ⁴	Ch. 1607/84	School Crimes Statistic Reporting and Validation
151 ⁴	Ch. 965/77	Pupil Classroom Suspensions: Counseling
154 ⁴	Ch. 965/77	Pupil Suspension: Parent Classroom Visits
171	Ch. 1463/89	School Accountability Report Cards (AB 2855 and SB 512 eff. 1/1/05)
190 ⁴	Ch. 759/92	School Crime Reporting II

⁴ Pursuant to AB 2855, Ch. 895/04, effective 1/1/05, and AB 38, Ch. 72/05 effective 7/19/05.

AUDIT OF COSTS

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and that the claim was prepared in accordance with the SCO's claiming instructions and the Commission on State Mandate's Parameters and Guidelines (Ps and Gs). If any adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

SOURCE DOCUMENTS

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

RETENTION OF CLAIMING INSTRUCTIONS

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. These revisions should be inserted in the School Mandated Cost Manual to replace the old forms. The instructions should then be retained permanently for future reference, and the forms should be duplicated to meet your filing requirements. Annually, updated forms and any other information or instructions claimants may need to file claims, as well as instructions and forms for all new programs released throughout the year will be placed on the SCO's Web site at www.sco.ca.gov/ard/local/locrim/mancost.shtml.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to LRS DAR@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

NOTIFICATION OF TRUANCY

1. Summary of Chapter 498/83

Education Code § 48260.5, as added by Chapter 498, Statutes of 1983, requires that school districts, upon a pupil's initial classification as a truant, notify the pupil's parent or guardian by first-class mail or other reasonable means, of the pupil's truancy, that the parent or guardian is obligated to compel the attendance of the pupil at school and that the parent or guardian who fails to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with § 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of alternative educational programs available in the district, and the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

- (1) Truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code § 48260).
- (2) A student shall be classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code 48260.5 as enacted by Chapter 498, Statutes of 1983.

On November 29, 1984, the Commission on State Mandates determined that Chapter 498, Statutes of 1983, resulted in state mandated costs which are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

2. Eligible Claimants

Any school district (K-12) or county office of education that incurs increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

Claims may only be filed with the State Controller's Office for programs that have been funded in the state budget, the State Mandates Claims Fund, or in special legislation. To determine if this program is funded in subsequent fiscal years, refer to the schedule "Appropriation for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in September of each year to county superintendents of schools and superintendents of schools.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year. However, any county superintendent of schools, as fiscal agent for the school district, may submit a combined claim in excess of \$200 on behalf of one or more districts within the county even if the individual district's claim does not exceed \$200. A combined claim must show the individual costs for each district.

Once a combined claim is filed, all subsequent years relating to the same mandate must be filed in a combined form. The county receives the reimbursement payment and is responsible for disbursing funds to each participating district. A district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office of its intent to file a separate claim at least 180 days prior to the deadline for

filing the claim.

5. Filing Deadline

Refer to the item, "Reimbursable State Mandated Cost Programs", contained in the annual cover letter for mandated cost programs issued annually in September, which identifies the fiscal years for which claims may be filed. If an "x" is shown for the program listed under "19__/_ Reimbursement Claim", and/or "19__/_ Estimated Claim", claims may be filed as follows:

- (1) An estimated claim must be filed with the State Controller's Office and postmarked by November 30 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30 of the following fiscal year. If the district fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed on a unit cost basis for an initial notice to the parents or guardian regarding the pupil's truancy. For the 1995/96 fiscal year the unit rate is \$10.97 per initial notice. The unit rate is adjusted annually by the changes in the implicit price deflator and covers all direct and indirect costs of the following on-going activities:

- A. Identifying the Truant Pupil
- B. Notification to Parent or Guardian
- C. Printing Additional Forms
- D. Recordkeeping

7. Reimbursement Limitations

- A. This program does not provide reimbursement for activities related to resolving truancy problems (i.e., referrals to attendance review board, meetings with parent or guardian to discuss the pupil's truancy problems and/or discuss alternative educational programs, etc.).
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. service fees collected, federal funds, other state funds, etc.) as a result of this mandate shall be identified and deducted so only net local costs are claimed.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. Such documents shall be made available to the State Controller's Office on request.

8. Form NOT-1, Claim Summary

This form is used to compute the amount of claimable costs based on the number of reports forwarded to the governing board with the recommendation not to expel the student. The claimant must give the number of truant notifications. The cost data on this form is carried forward to form FAM-27.

9. Form FAM-27, Claim for Payment

Form FAM-27 contains a certification that must be signed by an authorized representative of the district. All applicable information from form NOT-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 048
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L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data	
	(02) Claimant Name		(22) NOT-1, (03)	
	County of Location		(23)	
	Street Address or P.O. Box Suite		(24)	
	City State Zip Code		(25)	

Type of Claim	Estimated Claim	Reimbursement Claim		
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)	
			(29)	
Fiscal Year of Cost	(06) 20 ___/20 ___	(12) 20 ___/20 ___	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the the State of California that the foregoing is true and correct.

Signature of Authorized Officer _____ Date _____

 Type or Print Name _____ Title _____

(38) Name of Contact Person for Claim _____ Telephone Number () - Ext. _____

 E-Mail Address _____

Program 048	NOTIFICATION OF TRUANCY Certification Claim Form Instructions	FORM FAM-27
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM 1
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- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

 Form 1 must be filed for a reimbursement claim. Do not complete form 1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form 1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2006-07 fiscal year is \$16.15 per initial notification. This cost rate will be updated early and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.), which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
 - Trip begins at or before 6 a.m. - Breakfast may be claimed
 - Trip begins at or before 11 a.m. - Lunch may be claimed
 - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
 - Trip ends at or after 8 a.m. - Breakfast may be claimed
 - Trip ends at or after 2 p.m. - Lunch may be claimed
 - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

Short-Term Travel Maximum Lodging Reimbursement Rate

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

Long-Term Travel

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

A. Full Long-Term Travel

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

B. Partial Long-Term Travel

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

Receipts

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
 1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
 2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
 3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
 4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

Mileage

Effective July 1, 2006, when an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, the employee will be allowed to claim and be reimbursed 44.5 cents per mile. Effective January 1, 2007, reimbursement rate is 48.5 cents per mile.

B. GOVERNMENT CODE SECTIONS 17500-17617

GC §17500: Legislative Findings and Declarations

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

GC §17510: Construction of Part

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

GC §17511: "City"

"City" means any city whether general law or charter, except a city and county.

GC §17512: "Commission"

"Commission" means the Commission on State Mandates.

GC §17513: "Cost Mandated by the Federal Government"

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

GC §17514: "Costs Mandated by the State"

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

GC §17515: "County"

"County" means any chartered or general law county. "County" includes a city and county.

GC §17516: "Executive Order"

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

GC §17517.5: "Cost Savings authorized by the state"

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

GC §17518: "Local Agency"

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

GC §17518.5: "Reasonable Reimbursement Methodology"

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets the following conditions: (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner. (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner. (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (c) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

GC §17519: "School District"

"School district" means any school district, community college district, or county superintendent of schools.

GC §17520: "Special District"

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or

area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

GC §17521: "Test Claim"

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state.

GC §17522: Definitions

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

GC §17523: "Deflator"

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

GC §17524: "Base Year Entitlement"

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

GC §17525: Members: Term and Per Diem for Specified Members

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the

discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

GC §17526: Open Meetings: Executive Sessions

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

GC §17527: Powers of Commission

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

GC §17528: Election of Officers

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

GC §17529: Appointment of Attorney: Duties

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

GC §17530: Appointment of Executive Director: Duties

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

GC §17531: Authority of Executive Director to Employ Necessary Staff

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

GC §17532: Quorum: Investigations, Inquiries, and Hearing

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

GC §17533: Provisions not Applicable to Hearing by Commission

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

GC §17550: Reimbursements of Local Agencies and Special Districts

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

GC §17551: Commission Hearing and Decision Upon Claims

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

GC §17552: Exclusivity of Procedure by Chapter

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings

(a) The commission shall adopt procedures for receiving claims pursuant to this article and for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department

or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other nonlocal agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Board of Control or the Commission on State Mandates that may be related to the alleged mandate. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Board of Control and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included. (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

GC §17554: Commission's Authority to Expedite Claim

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

GC §17555: Date for Public Hearing: Test Claim Form and Procedure

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

GC §17556: Criteria for not Finding Costs Mandated by the State

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposed duties that were expressly included in a ballot measure approved by the voters in a statewide or local election. (g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c)

The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before January 15 following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions

(a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the adoption or amendment of parameters and guidelines pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose. (b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the commission. (c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled

Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

GC §17558.6: Legislative Intent

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

GC §17559: Judicial Review

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

GC §17560: Deadlines for Filing Reimbursement Claims

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b). (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

GC §17561: Reimbursement of Costs for State Mandated Programs

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 that includes the amounts awarded relating to these chaptered bills or executive orders. (c) The amount appropriated to reimburse local agencies and

school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.

GC §17561.5: Payment of Claim with Interest

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

GC §17561.6: Payment

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

GC §17562: Review of Costs of State-Mandated Local Programs

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by January 1 of each year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate to the statewide cost estimate adopted by the commission. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall identify mandates that significantly exceed the statewide cost estimate adopted by the commission. The Legislative Analyst shall make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections 17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

GC §17563: Use of Funds Received for Public Purpose

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

GC §17564: Filing of Claims: Threshold Amount

(a) No claim shall be made pursuant to Sections 17551 and 17561, nor shall any payment be made on claims submitted pursuant to Sections 17551 and 17561, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.

GC §17565: Reimbursement of Subsequently Mandated Costs

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

GC §17567: Insufficiency of Appropriation: Proration of Claims

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, the Controller shall transmit this information to the commission which shall include these amounts in its report to the Legislature pursuant to Section 17600 to assure that an appropriation sufficient to pay the claims is included in the local government claims bills or other appropriation bills. If the local government claims bills required by Section 17612 have been introduced in the Legislature, the Controller shall report directly to the chairperson of the respective committee in each house of the Legislature which considers appropriations to assure inclusion of a sufficient appropriation in the claims bills.

GC §17568: Payment of Claims Submitted After Deadline

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). In no case shall a reimbursement claim be paid which is submitted more than one year after the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

GC §17570: Annual Report to Legislature

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

GC §17571: Review and Modification of Claiming Instructions

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

GC §17572: Amended Animal Adoption Parameters and Guidelines

(a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below: (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable. (2) Clarify how the costs for care and maintenance shall be calculated. (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office. (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005-06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581. (c) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005-06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.

GC §17575: Review of Bills

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

GC §17576: Amendment of Bills on Floor: Notification by Legislative Counsel

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

GC §17577: Amount of Estimates

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being

one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

GC §17600: Report on Number of Mandates and Their Costs

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

GC §17601: Report on Claims Denied

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions

(a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

GC §17613: Authorization of Augmentation for Mandated Costs

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made

sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

GC §17615: Legislative Findings and Intent

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming, cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

GC §17615.1: Review of Programs for Inclusion in System

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

GC §17615.2: Calculation of Disbursement Amounts

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

GC §17615.3: Annual Recalculation of Allocation

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to

establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvene that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

GC §17615.4: Procedure for Newly Mandated Program

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

GC §17615.6: Procedure Where Program is No Longer Mandatory

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

GC §17615.7: Procedure Where Program is Modified

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

GC §17615.8: Review of Base Year Entitlement

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

GC §17615.9: Review of Programs Under SMAS

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

GC §17616: Audits and Verification by Controller

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

GC §17617: Local Agency Payment

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.



RECEIVED
October 03, 2014
Commission on
State Mandates

JOHN CHIANG
California State Controller

LATE FILING

October 3, 2014

Heather Halsey
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Notice of Complete Filing**
Incorrect Reduction Claim (IRC)
Notification of Truancy, 13-904133-I-12
Education Code Sections 48260 and 48260.5
Statutes 1983, Chapter 498
Fiscal Years: 2003-2004, 2004-2005, 2005-2006, and 2006-2007
Riverside Unified School District, Claimant

Dear Ms. Halsey:

The State Controller's Office is transmitting our response to the above-entitled IRC.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,

A handwritten signature in cursive script that reads "Jim L. Spano".

JIM L. SPANO, Chief
Mandated Cost Audits Bureau
Division of Audits

**RESPONSE BY THE STATE CONTROLLER'S OFFICE
TO THE CONSOLIDATED INCORRECT REDUCTION CLAIMS (IRC)
FILED BY RIVERSIDE UNIFIED SCHOOL DISTRICT
Notification of Truancy Program**

Table of Contents

Description

SCO's Response to District's Comments

Declaration (Affidavit of Bureau Chief)	Tab 1
State Controller's Office Analysis and Response	Tab 2
Commission on State Mandates' Parameters and Guidelines, Notification of Truancy Program – May 27, 2010	Tab 3
Analysis of Statistical Sample Results and Calculation of Audit Adjustment Range	Tab 4
State Controller's Office Remittance Advice, FY 2003-04 – September 12, 2006	Tab 5
State Controller's Office Payment Offset Detail, FY 2003-04 – February 25, 2010	Tab 6
State Controller's Office Remittance Advice, FY 2004-05 – March 14, 2007	Tab 7
State Controller's Office Payment Offset Detail, FY 2004-05 – February 27, 2010	Tab 8
State Controller's Office Claim Adjustment Detail, FY 2005-06 – January 28, 2011	Tab 9
State Controller's Office Remittance Advice, FY 2006-07 – March 12, 2007	Tab 10
State Controller's Office Payment Offset Detail, FY 2006-07 – December 6, 2010	Tab 11

Note: References to Exhibits relate to the district's IRCs as follows:

Revised IRC filed on November 15, 2013, IRC 13-904133-I-12

- Exhibit A – PDF page 12

Original IRC filed on November 1, 2010, IRC 10-904133-I-10

- Exhibit A – PDF page 34
- Exhibit B – PDF page 42
- Exhibit C – PDF page 49
- Exhibit D – PDF page 57
- Exhibit E – PDF page 81
- Exhibit F – PDF page 95
- Exhibit G – PDF page 98

Tab 1

1 **OFFICE OF THE STATE CONTROLLER**

300 Capitol Mall, Suite 1850

2 Sacramento, CA 94250

3 Telephone No.: (916) 445-6854

4 **BEFORE THE**
5 **COMMISSION ON STATE MANDATES**
6 **STATE OF CALIFORNIA**

9
10 **CONSOLIDATED INCORRECT
REDUCTION CLAIMS ON:**

11 *Notification of Truancy Program*

12 Chapter 498, Statutes of 1983, Chapter 1023,
13 Statutes of 1994, and Chapter 19,
14 Statutes of 1995

15 **RIVERSIDE UNIFIED SCHOOL DISTRICT,**

No.: CSM 10-904133-I-10 and
13-904133-I-12

AFFIDAVIT OF BUREAU CHIEF

16 I, Jim L. Spano, make the following declarations:

- 17 1) I am an employee of the State Controller's Office and am over the age of 18 years.
- 18 2) I am currently employed as a Bureau Chief, and have been so since April 21, 2000.
19 Before that, I was employed as an audit manager for two years and three months.
- 20 3) I am a California Certified Public Accountant (CPA).
- 21 4) I reviewed the work performed by the State Controller's Office (SCO) auditor.
- 22 5) Any attached copies of records are true copies of records, as provided by the Riverside
23 Unified School District or retained at our place of business.
- 24 6) The records include claims for reimbursement, along with any attached supporting
25 documentation, explanatory letters, or other documents relating to the above-entitled
Consolidated Incorrect Reduction Claims.

1 7) A field audit of the claims for fiscal year (FY) 2003-04, FY 2004-05, FY 2005-06, and
2 FY 2006-07 commenced on August 4, 2008, and ended with the issuance of the initial
3 final report on February 5, 2010, and revised final report on August 24, 2012.

4 I do declare that the above declarations are made under penalty of perjury and are true and
5 correct to the best of my knowledge, and that such knowledge is based on personal
6 observation, information, or belief.

7 Date: March 4, 2014

8 OFFICE OF THE STATE CONTROLLER

9
10 By: 

11 Jim L. Spano, Chief
12 Mandated Cost Audits Bureau
13 Division of Audits
14 State Controller's Office
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Tab 2

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE
TO THE CONSOLIDATED INCORRECT REDUCTION CLAIMS FILED BY
RIVERSIDE UNIFIED SCHOOL DISTRICT
For Fiscal Year (FY) 2003-04, FY 2004-05, FY 2005-06, and FY 2006-07**

**Notification of Truancy Program
Chapter 498, Statutes of 1983, Chapter 1023, Statutes of 1994, and
Chapter 19, Statutes of 1995**

SUMMARY

The following is the State Controller's Office's (SCO) response to the Consolidated Incorrect Reduction Claims that the Riverside Unified School District filed originally on November 1, 2010, and revised on November 15, 2013. The SCO audited the district's claims for costs of the legislatively mandated Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007. The SCO issued its final report on February 5, 2010 (**Exhibit D**). On August 24, 2012, the SCO revised the final audit report (**Exhibit A**) to allow partial reimbursement for the fiscal year (FY) 2006-07 notifications that the district distributed (Finding 3).

The district submitted reimbursement claims totaling \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims)—\$244,101 for FY 2003-04 (\$245,101 less a \$1,000 penalty for filing a late claim), \$272,234 for FY 2004-05 (\$273,234 less a \$1,000 penalty for filing a late claim), \$243,123 for FY 2005-06, and \$226,423 for FY 2006-07 (**Exhibit G**). Subsequently, the SCO performed an audit for the period of July 1, 2003, through June 30, 2007, and determined that \$326,088 is unallowable. The revised final audit report reduced the unallowable total to \$127,968 after allowing partial reimbursement for FY 2006-07 initial notifications. Collectively, the costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The district disagrees with the audit results for FY 2003-04 through FY 2006-07, as shown in Schedule 1 of our revised final audit report issued August 24, 2012 (**Exhibit A**). The following table summarizes the audit results:

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2003, through June 30, 2004</u>			
Number of initial truancy notifications	17,943	15,501	(2,442)
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66
Total costs ¹	\$ 245,101	\$ 211,743	\$ (33,358)
Less late penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 244,101</u>	210,743	<u>\$ (33,358)</u>
Less amount paid by the State ²		(210,743)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Number of initial truancy notifications	19,134	16,431	(2,703)
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28
Total costs	\$ 273,234	\$ 234,635	\$ (38,599)
Less late penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 272,234</u>	233,635	<u>\$ (38,599)</u>
Less amount paid by the State ²		(233,635)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2005, through June 30, 2006</u>			
Number of initial truancy notifications	15,645	13,862	(1,783)
Unit cost per initial notifications	× \$15.54	× \$15.54	× \$15.54
Total program costs	<u>\$ 243,123</u>	<u>\$ 215,415</u>	<u>\$ (27,708)</u>
Less amount paid by the State ²		<u>(215,415)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Number of initial truancy notifications	14,020	14,020	—
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15
Subtotal	<u>\$ 226,423</u>	<u>\$ 226,423</u>	<u>\$ —</u>
Noncompliant initial truancy notifications	<u>—</u>	<u>(28,303)</u>	<u>(28,303)</u>
Total program costs	<u>\$ 226,423</u>	<u>\$ 198,120</u>	<u>\$ (28,303)</u>
Less amount paid by the State ²		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>	
<u>Summary: July 1, 2003, through June 30, 2007</u>			
Total program costs	<u>\$ 987,881</u>	<u>\$ 859,913</u>	<u>\$ (127,968)</u>
Less late claim penalty	<u>(2,000)</u>	<u>(2,000)</u>	<u>—</u>
Subtotal	<u>\$ 985,881</u>	<u>857,913</u>	<u>\$ (127,968)</u>
Less amount paid by the State ²		<u>(659,793)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>	

¹ Calculation differences due to rounding.

² Payment information current as of February 4, 2014.

I. NOTIFICATION OF TRUANCY PROGRAM CRITERIA

Parameters and Guidelines – July 22, 1993

On August 27, 1987, the Commission on State Mandates (CSM) adopted the parameters and guidelines for Chapter 498, Statutes of 1983. The CSM amended the parameters and guidelines on July 22, 1993 (**Exhibit B**).

Section I summarizes the mandated program as follows:

I. SUMMARY OF MANDATE

Chapter 498, Statutes of 1983 . . . requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district, and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. . . .

A student shall be initially classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code Section 48260.5. . . .

Section V.A identifies the mandated program's scope as follows:

V. REIMBURSABLE COSTS

A. Scope of Mandate

The eligible claimant shall be reimbursed for only those costs incurred for planning the notification process, revising district procedures, the printing and distribution of notification forms, *and associated record keeping* [emphasis added].

Section V.B.2 specifies the ongoing reimbursable activity:

V. REIMBURSABLE COSTS

B. Reimbursable Activities

2. Notification process – On-going

Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, *and associated recordkeeping* [emphasis added].

Section V.C identifies the uniform cost allowance applicable to the mandated program:

V. REIMBURSABLE COSTS

C. Uniform Cost Allowance

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance . . . *The uniform cost allowance is based on the number of initial notifications of truancy distributed* [emphasis added]. . . .

Section VI specifies the following claim preparation requirements:

VI. CLAIM PREPARATION

Each claim for reimbursement . . . must be timely filed *and provide documentation in support of the reimbursement claimed for this mandated program* [emphasis added].

Parameters and Guidelines – May 27, 2010

On January 31, 2008, and May 27, 2010, the CSM amended the parameters and guidelines, effective July 1, 2006 (Tab 3). In relevant part, the CSM amended the parameters and guidelines on January 31, 2008, "to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, Chapter 1023, and Statutes 1995, Chapter 19. . . ." The CSM amended the parameters and guidelines on May 27, 2010, to clarify mandated program documentation requirements.

II. DISTRICT CLAIMED UNSUPPORTED INITIAL TRUANCY NOTIFICATIONS

Issue (Finding 1)

The district claimed 57 unsupported initial truancy notifications totaling \$799.

SCO Analysis:

The district claimed 17,943 and 19,134 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively. The district provided records documenting only 17,919 and 19,101 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively.

District's Response

The audit report . . . does not indicate in what factual or legal manner the District documentation was insufficient . . . The audit report states only that the District's "attendance records did not support the number of initial truancy notifications claimed." The findings comprise adjustments that ostensibly result from what the Controller perceives to be inadequate source documentation. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only statutory mandated cost audit standard. . . .

A. Claim Preparation Standard

The audit report concludes that the District did not comply with the parameters and guidelines for claiming costs, but does not describe the nature of the perceived documentation deficiency. The parameters and guidelines for claim preparation state:

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program.

A. Uniform Cost Allowance Reimbursement

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The District complied with Part VI A of the parameters and guidelines by reporting the number of notices distributed on the forms provided by the Controller's claiming instructions for this purpose.

SCO's Comment

The district states that the SCO did not indicate "in what factual or legal manner" the district's documentation was "insufficient." We disagree; the finding clearly identifies the facts. The district claimed 17,943 and 19,134 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively. However, the district provided records that documented only 17,919 and 19,101 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively. Therefore, the district overstated the number of initial truancy notifications that its records support.

The district states, "The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only statutory mandated cost audit standard. . . ." We disagree on two points.

The SCO does assert that claimed costs were excessive. Excessive is defined as "Exceeding what is usual, *proper*, [emphasis added] necessary, or normal."³ The district filed claims that were improper because the claims did not identify the correct number of initial truancy notifications distributed, as documented by the district's records.

In addition, Government Code section 17561, subdivision (d)(2)(B), is not the only applicable audit standard, as the district alleges. Government Code section 17561, subdivision (d)(2)(A)(i), states that the SCO may audit the records of any school district "to verify the actual amount of the mandated costs." Furthermore, Government Code section 12410 states, "The Controller shall audit *all claims* [emphasis added] against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

The district states that it "complied" with the parameters and guidelines simply by reporting a certain number of truancy notifications on a mandated program claim form. We disagree. The district itself cites a parameters and guidelines section that states, "Each claim . . . must be timely filed *and provide documentation in support of the reimbursement claimed* [emphasis added]. . . ." The district provided documentation that supported fewer initial truancy notifications than the number claimed.

³ Merriam-Webster's Collegiate Dictionary, Tenth Edition © 2001.

District's Response

B. Audit Documentation Standard

The audit report concludes that the District did not comply with the parameters and guidelines as to source documentation for an audit, but did not specify in the audit report why the source documentation was deficient. . . .

The parameters and guidelines do not specify the form of supporting documentation required. The parameters and guidelines do not require claimants to maintain a copy of each notification. The parameters and guidelines do not require attendance records to support the number of notifications distributed. The Controller selected the attendance records as the only source of support for the number of notifications claimed for purposes of the audit. This is an unenforceable policy preference of the Controller.

The District complied with Part VII A of the parameters and guidelines by supporting the number of notices distributed with attendance records prepared in compliance with state attendance reporting requirements and information prepared specifically for the mandate. The attendance and truancy information was recorded on a contemporaneous basis as required by the Education Code. The truanies were recorded and the notices were distributed, therefore, actual costs were incurred, and the Controller does not state that the work was not performed. The District provided documentation generated in the ordinary course of business and the implementation of the mandate and has therefore supported the claimed costs. The additional standards desired by the Controller for supporting documentation are not defined in the audit report, not defined in the Education Code, and not defined in the parameters and guidelines. . . .

SCO's Comment

The district claimed costs for initial truancy notifications distributed for specified students. The SCO requested that the district provide attendance records showing that the students accumulated the minimum number of unexcused absences or tardiness occurrences between ages 6 and 18. The district states that our request for attendance records to support initial truancy notifications is "an unenforceable policy preference." The district then states that it complied with parameters and guidelines' documentation requirements "by supporting the number of notices distributed with attendance records." The district's comments are contradictory.

We disagree with the district's statement related to "an unenforceable policy preference" for supporting documentation. The mandated program reimburses the district for issuing initial truancy notifications to students who accumulate a specified number of unexcused absences or tardiness occurrences between ages 6 and 18. The district claimed a specific number of notifications issued and identified the corresponding students who purportedly met the minimum requirements to be classified as truant. The district's attendance records are the source documentation to validate that the students did, in fact, qualify as truants. The district has not provided, offered, or identified any alternative documentation to support the unallowable initial truancy notifications claimed.

The district states that it "provided documentation generated in the ordinary course of business and the implementation of the mandate and has therefore supported the claimed costs." We disagree. Simply providing documentation does not result in reimbursable mandated costs. Supporting documentation must show that the claimed costs are reimbursable in accordance with the parameters and guidelines. In this case, the supporting documentation shows that the district claimed costs that are not mandate-reimbursable.

The district states that there are "additional standards desired by the Controller for supporting documentation." However, we are unclear what "additional standards" the district believes exists. In any case, we disagree. As previously stated, the district is required to support the number of initial truancy notifications claimed by showing that the applicable students accumulated the minimum number of unexcused absences or tardiness occurrences while between ages 6 and 18.

District's Response

On a related matter, the District believes the 454 unclaimed notices . . . identified in Finding 2 for FY 2005-06 should be included in Finding 1 to increase the total number of claimable notifications before the extrapolation of the statistical sampling findings, similar to how the FY 2003-04 and FY 2004-05 reductions have been treated.

SCO's Response

The district's response is irrelevant to the factual accuracy of the audit finding. The FY 2005-06 audit adjustment shown in Schedule 1—Summary of Program Costs (**Exhibit D**) is the same, whether the report accounts for the 454 unclaimed initial truancy notifications in Finding 2 alone or Findings 1 and 2 together.

Finding 2 identifies understated costs totaling \$5,237 attributable to the 454 unclaimed initial truancy notifications. If we had included the unclaimed notifications in Finding 1, that finding would identify understated costs totaling \$7,055 (454 x \$15.54). However, FY 2005-06 elementary school unallowable costs identified in Finding 2 would increase by \$1,818, from \$30,381 to \$32,199. The two changes net to \$5,237, the amount currently identified in Finding 2.

The following table illustrates how the Finding 2 FY 2005-06 elementary school audit adjustment would change if we moved the 454 unclaimed notifications to Finding 1:

	<u>Fiscal Year</u> <u>2005-06</u>
<u>Elementary Schools</u>	
Number of unallowable initial truancy notifications	(38)
Sample size	<u>147</u>
Unallowable percentage	(25.85)%
Supported number of initial truancy notifications sampled	<u>8,016</u>
Unallowable initial truancy notifications	(2,072)
Uniform cost allowance	<u>\$15.54</u>
Audit adjustment	<u>\$ (32,199)</u>

III. DISTRICT CLAIMED NON-REIMBURSABLE INITIAL TRUANCY NOTIFICATIONS

Issue (Finding 2)

The district claimed non-reimbursable initial truancy notifications totaling \$98,866. The district disagrees with the audit methodology and the results derived therefrom.

SCO Analysis:

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups and selected separate samples for each group.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year.

District's Response

THE ISSUE OF STATISTICAL SAMPLING AND EXTRAPOLATION

Reimbursement for this mandate is based on the actual number of notifications distributed multiplied by a uniform cost allowance for reimbursement . . . The audit report states that this finding is based on a statistical sample. . . .

A. Legal Basis for Reimbursement Based on Statistical Sampling

The essential legal issue for this finding is whether the Controller can adjust claims utilizing an extrapolation of findings from an audit sample. . . .

The audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample. Instead, the audit report states that:

- Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs.
- That citation is not specific to the sampling issue presented. That citation is also unavailing since the Notification of Truancy mandate is reimbursed based on a unit cost rate which is a reasonable representation of actual costs incurred by districts that were included in the cost study to establish the uniform cost allowance for this mandate.
- "Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs" and that Government Code Section 12410 requires the Controller to "audit all claims against the state." The District concurs that the Controller has authority to audit mandate claims, but asserts that it must be done legally and logically. The District does not dispute the Controller's authority to audit claims for mandated costs and to reduce those costs that are excessive or unreasonable . . . However, Section 12410 . . . is not specific to the audit of mandate reimbursement claims. The only applicable audit standard for mandate reimbursement claims is found in Government Code Section 17561 (d)(2). The fact that Section 17561(d)(2) specifies its own audit standard (excessive or unreasonable) implies that the general Controller audit standard (correctness, legality, and sufficient provisions of law) does not control here. Therefore, the Controller may only reduce a mandate reimbursement claim if it specifically finds that the amounts claimed are unreasonable or excessive under Section 17561(d)(2). Further, the Controller has not asserted or demonstrated that, if Section 12410 was the applicable standard, the audit adjustments were made in accordance with this standard. The District's claim was correct, in that it reported the number of notices distributed. There is also no allegation in the audit report that the claim was in any way illegal . . . Thus, even if the standards of Section 12410 were applicable to mandate reimbursement audits, the Controller has failed to put forth any evidence that these standards are not met or even relevant. There is no indication that the Controller is *actually* relying on the audit standards set forth in Section 12410 for the adjustments to the District's reimbursement claims.
- "The SCO conducted its audit according to generally accepted government auditing standards [GAGAS] (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007) [GAO]." The audit report asserts that the "standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence" but does not cite specific GAO or GAGAS language in support of that assertion. The audit report does not explain how a statistical sample that provides "appropriate evidence" of the scope and reliability of source documentation is therefore a source of findings of actual cost or pervasive compliance with the mandate program requirements. Notwithstanding, the GAO auditing guide referenced specifically pertains to audits of federal funds and state mandate reimbursement does not utilize federal funds. Further, the GAO audit guide has not been adopted pursuant to any state agency rulemaking nor is it included as a standard in the parameters and guidelines, so claimants could not be on legal notice of its requirements, assuming its requirements were relevant to mandate audits, nor could the District have actual notice of the GAO guide published in 2007 at the time the annual claims were filed.

There is no provision to allow claimants to claim costs based on sampling and extrapolation, or for the Controller to audit or make findings in the same manner. There is no published audit manual for mandate reimbursement or the audit of mandate claims in general, or any published audit program for this mandate program which allows this method of audit or allows adjustment of amounts claimed in this manner. Adjustment of the claimed costs based on an extrapolation from a statistical sample is utilizing a standard of general application without the benefit of compliance with the Administrative Procedure Act. Thus, the application of the method is prohibited by the Government Code.

SCO's Comment

Government Code Sections 17558.5 and 17561, Subdivision (d)(2)(A)(i)

The district quotes one sentence regarding Government Code section 17558.5 from the "SCO's Comment" section of the audit finding and presents that sentence out of context. The audit finding states that this code section "requires the district to file a reimbursement claim for actual mandate-related costs." The district implies that we cited Government Code section 17558.5 to validate the statistical sampling used to develop the audit adjustment. We disagree. The district also references its response to the draft audit report, alleging that Government Code section 17561, subdivision (d)(2), is "the only applicable audit standard for mandate reimbursement claims," and allows the SCO to adjust only those claims it determines are excessive or unreasonable. The district further alleges that the entire findings are based upon the wrong standard for review. In response, we disagreed and cited relevant language from Government Code section 17558.5 that requires the district to file a reimbursement claim for actual costs. We paired this requirement with Government Code section 17561, subdivision (d)(2)(A)(i), which allows the SCO to audit the district's records to verify actual mandate-related costs.

The district attempts to invalidate Government Code section 17558.5 and its relation to Government Code section 17561, subdivision (d)(2)(A)(i), by stating the citation is "unavailing since the Notification of Truancy mandate is reimbursed based on a unit-cost rate." We disagree with the district's implication that Government Code section 17558.5 is irrelevant. In its Incorrect Reduction Claim, Part VIII Relief Requested, the district states, "The amounts claimed by the District for reimbursement . . . represent the *actual* [emphasis added] costs incurred by the District. . . ." School districts combine the unit-cost rate with the *actual* number of initial truancy notifications issued to calculate reimbursable mandated costs. The "actual" number of initial truancy notifications are those mandate-related reimbursable notifications that the district's records support.

Government Code Section 12410

The district states that Government Code section 12410 is not applicable to mandated cost claims. We disagree. Government Code section 12410 is quite specific in stating, "The Controller shall audit *all claims* against the state and may audit the disbursement of *any* state money, for correctness, legality, and for sufficient provisions of law for payment [emphasis added]."

The district states:

Further, the Controller has not asserted or demonstrated that, if Section 12410 was the applicable standard, the audit adjustments were made in accordance with this standard. The District's claim was correct, in that it reported the number of notices distributed. . . .

The district believes that only one "standard" is applicable to mandated cost claims. We disagree. All cited statutory audit standards are relevant. Pursuant to Government Code section 12410, we concluded that the district's claims were neither correct nor legal. Correct is defined as "conforming to an approved or conventional standard."⁴ Legal is defined as "conforming to or permitted by law or established rules."⁵ The district submitted claims for non-reimbursable initial truancy notifications.

Statistical Sampling

The district states, "The audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample." We

disagree. Government Code section 17561, subdivision (d)(2)(B), states, "The Controller may reduce any claim that the Controller determines is excessive or unreasonable." Excessive is defined as "exceeding what is usual, *proper, necessary*, [emphasis added] or normal."⁶ The district's claims were improper because the district claimed non-reimbursable initial truancy notifications. The district states that it "does not dispute the Controller's authority to audit claims for mandated costs and to reduce those costs that are excessive or unreasonable."

The district also contests the applicability of generally accepted government auditing standards (GAGAS) (*Government Auditing Standards*, issued by the U.S. Government Accountability Office [GAO], July 2007). The district states, "... the GAO auditing guide referenced specifically pertains to audits of federal funds. . . ." The district failed to cite language from *Government Auditing Standards* that supports its assertion. *Government Auditing Standards*, section 1.03, "Purpose and Applicability of GAGAS," states:

The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence. *These standards are for use by auditors of government entities* [emphasis added]. . . ."

In addition, the district contests the appropriateness of statistical sampling. The district states that the audit report does not cite specific GAGAS language that recognizes statistical sampling as an acceptable method to provide sufficient, appropriate evidence. *Government Auditing Standards*, section 7.55, states "Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions." Section 7.56 states, "Appropriateness is the measure of the quality of evidence. . . ." In further discussing appropriateness, section 7.63 states, "When a representative sample is needed, the use of statistical sampling approaches generally results in stronger evidence. . . ."

The district states, "... the GAO audit guide has not been adopted pursuant to any state agency rulemaking . . . so the claimants could not be on legal notice of its requirements. . . ." *Government Auditing Standards* provides a framework to conduct audits. Its "requirements" are applicable to auditors, not claimants; therefore, state agency rulemaking is irrelevant. Similarly, it has no bearing on how claimants perform mandate-related activities or submit reimbursement claims.

The district states, "There is no provision in law to allow claimants to claim costs based on sampling and extrapolation. . . ." We disagree. Various mandated cost programs allow claimants to claim salary and benefit costs based on a documented time study, which itself is simply a sample of actual time worked extrapolated to a full year. Examples include the Habitual Truant, Intradistrict Attendance, and Juvenile Court Notices II programs.

The district states, "There is no published audit manual for mandate reimbursement or the audit of mandate claims in general, or any published audit program for this mandate program. . . ." We conducted our audit under the authority of Government Code sections 12410, 17558.5, and 17561. There is no statutory requirement for the SCO to publish an audit manual or audit program for mandated cost program audits.

⁴ Merriam-Webster's Collegiate Dictionary, Tenth Edition © 2001.

⁵ Ibid.

⁶ Ibid.

District's Response

B. Utility of the Sampling Methodology

A statistically valid sample methodology is a recognized audit tool for some purposes. See Exhibit "E" ("Statistical Sampling Revisited"). The sampling process was misapplied here. The purpose of sampling is to determine the results of transactions or whether procedures were properly applied to the reported transactions . . . What the Controller purports to be testing is whether the notices are reimbursable based on the number of prerequisite absences or content of the notice. . . .

Instead, the auditor was actually conducting a review for documentation rather than mandate compliance. Testing for procedural compliance usually involves establishing tolerance parameters, but in the case of this audit, the tolerance factor was zero, that is, based on the auditor's perception of adequate documentation, which is a separate issue. Testing to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here. . . .

SCO's Comment

The district states that the sampling process was "misapplied." The district includes an exhibit but makes no specific reference to that exhibit to support its position. We disagree with the district's statement. We properly used estimation sampling to establish the frequency of occurrence of non-reimbursable initial truancy notifications. We conclude that the sampling methodology is appropriate based on the following:

Estimation sampling is the most widely used approach to audit tests. It provides the answer to the question of how many or how much. When this method is used, a random sample of a special size is obtained, and either the number of some specified type of item or event (such as errors) appearing in the sample is counted and the proportion of these items determined. . . .

If the sample is used as a means of establishing the frequency of occurrence of some kind of event or type of item, the process is referred to as *attributes sampling*. The result of such a sampling operation is commonly expressed as the *percent* of the type of event specified.

In statistical terminology, any measurement obtained by counting the number of items falling in a given category is called an *attribute measurement* . . . Examples of attribute categories include errors versus nonerrors. . . .⁷

The district continues by stating:

What the Controller purports to be testing is whether the notices are reimbursable based on the number of prerequisite absences or content of the notice. . . .

Instead, the auditor was actually conducting a review for documentation rather than mandate compliance.

We agree that we tested initial truancy notifications to determine if those notifications are reimbursable based on the number of unexcused absences or tardiness occurrences specified in the parameters and guidelines. We did not use statistical samples to test "content of the notice." The district's reference to "conducting a review for documentation" is unclear. We properly examined the district's supporting documentation to identify the number of unexcused absences or tardiness occurrences that occurred while the student was between ages 6 and 18, thereby classifying the initial truancy notification as reimbursable or non-reimbursable.

⁷ Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, p.13-14.

The district states, "Testing for procedural compliance usually involves establishing tolerance parameters, but in the case of this audit, the tolerance factor was zero, that is, based on the auditor's perception of adequate documentation. . . ." We disagree. A "tolerance factor" is not applicable, because we conducted estimation sampling as noted above. For each initial truancy notification, the notification is either an "error" or a "non-error," depending on the number of valid unexcused absences or tardiness occurrences that support the notification. There was no "auditor's perception of adequate documentation;" the district's records either did or did not identify the minimum number of unexcused absences or tardiness occurrences.

District's Response

C. Sample Risk

The ultimate risk from extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples nonrepresentative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body. . . .

SCO's Comment

The district states:

The ultimate risk from extrapolating findings from a sample is that . . . the errors perceived from the sample do not occur at the same rate in the universe. *That is what has occurred in this audit* [emphasis added].

Title 5, *California Code of Regulations*, section 1185, subdivision (f)(3), states:

If the narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and *utilizes assertions or representations of fact* [emphasis added], such assertions or representations shall be supported by testimonial or documentary evidence and shall be submitted with the claim.

The district provided no documentary evidence to support its assertion.

The district alleges that the samples are non-representative of the population because kindergarten students, and special education students are more likely to be "excluded for being under-age or over-age." The fact that a particular student's initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population. To that point, Arkin states:

Since the [statistical] sample is objective and unbiased, it is not subject to questions that might be raised relative to a judgment sample. Certainly a complaint that the auditor had looked only at the worst items and therefore biased the results would have no standing. This results from the fact that an important feature of this method of sampling is that all entries or documents have an equal opportunity for inclusion in the sample.⁸

⁸ Ibid, p. 9.

District's Response

D. Sample Error

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>Total</u>
<u>Elementary Schools</u>				
Audited notifications claimed	9,214	9,395	7,562 *	26,171
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.61%	1.58%	1.94%	1.69%
<u>Audit Results:</u>				
Alleged "noncompliant" notices	36	40	38	114
Percentage "noncompliant"	24.32%	27.03%	25.85%	25.73%
<u>Secondary Schools</u>				
Audited notifications claimed	8,705	9,706	8,083	26,494
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.70%	1.52%	1.82%	1.67%
<u>Audit Results:</u>				
Alleged "noncompliant" notices	3	2	3	8
Percentage "noncompliant"	2.03%	1.35%	2.04%	1.81%

* Net of unsupported truancies identified in Finding 1. The population of elementary schools sampled for FY 2005-06 totaled 8,016 (7,562 claimed and 454 unclaimed).

In addition to the qualitative concerns discussed, quantitative extrapolation of the sample to the universe depends on a statistically valid sample methodology. Extrapolation does not ascertain actual cost. It ascertains probable costs within an interval. The sampling technique used by the Controller is quantitatively non-representative. For the three fiscal years, the Controller determined that there were 52,665 notices distributed by the District. The total sample size for all three years was 886 notices, or about 295 notices per year. Less than two percent of the total number of notices were audited (1.68%). The stated precision rate was plus or minus 8%, even though the sample size is essentially identical for all three fiscal years (either 296 or 294 samples), and even though the audited number of notices claimed in FY 2004-05 (19,101) is 22% larger than the size of FY 2005-06 (15,645). The expected error rate is stated to be 50%, which means the total amount adjusted of \$98,866 is really just a number exactly between \$49,433 (50%) and \$148,299 (150%). The midrange of an interval cannot be used as a finding of absolute actual cost.

The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). The cost to be reimbursed by the state for each notice is stipulated by the parameters and guidelines. It would therefore appear that the entire findings are based upon the wrong standard for review. If the Controller wishes to enforce other audit standards for mandated cost reimbursement, the Controller should comply with the Administrative Procedure Act.

SCO's Comment

The district states that the sampling technique is "quantitatively non-representative." We disagree. It appears that the district reached this conclusion because the sample sizes were essentially consistent while the applicable population size varied. Basic statistical sampling principles dismiss the district's contention. To that point, Arkin states:

It is apparent that it is the absolute size of the sample that is of primary consideration and *not* its relative size.⁹

Arkin also states that when the sample constitutes an appreciable portion of the population (more than 1%), the attributes sampling sample size is calculated as follows:¹⁰

$$n = \frac{p(1 - p)}{(SE/t)^2 + p(1 - p)/N}$$

Where:

n = sample size

p = percent of occurrence in population (expected error rate)

SE = desired sample precision

t = confidence level factor (distance from arithmetic mean in terms of standard deviation)

N = population size

Our report states that we calculated the sample size based on a 95% confidence level, which results in a confidence level factor of 1.96.¹¹

The district states, "The expected error rate is stated to be 50%, which means the total amount adjusted of \$98,866 is really just a number exactly between \$49,433 (50%) and \$148,299 (150%)." The district's conclusion is erroneous. The expected error rate is used to calculate the appropriate sample size. To that point, Arkin states:

In the event that the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate, he may use the table headed "Rate of Occurrence 50%" [an expected error rate of 50%]. In this case he will be supplied with the most conservative possible sample size estimate and will in no case find he has a poorer sample precision than desired. . . .¹²

The district has identified an incorrect range for the audit adjustment. Based on the sampling parameters identified in the report and the individual sample results, our analysis shows that the audit adjustment range is \$63,807 to \$133,922 (Tab 4). While a statistical sample evaluation identifies a range for the population's true error rate, the point estimate provides the best, and thus *reasonable*, single estimate of the population's error rate. The audit report identifies a \$98,866 audit adjustment, which is a cumulative total of the unallowable costs based on point estimates from each audit sample's results. As the district states in multiple instances, Government Code section 17561, subdivision (d)(2)(B), specifies that the SCO may reduce any claim that it determines is excessive or unreasonable. The SCO conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs. Therefore, the Administrative Procedures Act is not applicable.

⁹ Ibid, p. 90.

¹⁰ Ibid, p. 85.

¹¹ Ibid, p. 56.

¹² Ibid, p. 89.

District's Response

THE ISSUES OF COMPLIANCE WITH THE MANDATE

... The audit report disallows 122 of the 886 notifications evaluated for three reasons:

<u>REASON FOR DISALLOWANCE</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>Total</u>
<u>Elementary Schools (Daily Attendance)</u>				
1. Underage (less than 6 years)	15	15	27	57
2. Insufficient documentation	-	-	-	-
3. Less than 4 Absences	21	25	11	57
Total Disallowed	36	40	38	114
Sample Size	148	148	147	
Percentage Disallowance	24.32%	27.03%	25.85%	
<u>Secondary Schools (Period Attendance)</u>				
1. Overage (18 years plus)	2	2	2	6
2. Insufficient documentation	1	-	-	1
3. Less than 4 Absences	-	-	1	1
Total Disallowed	3	2	3	8
Sample Size	148	148	148	
Percentage Disallowance	2.03%	1.35%	2.04%	

E. Insufficient Documentation

The audit report disallows one of the notices in the audit sample for secondary schools for lack of supporting documentation. This criterion was not discussed in the audit report for this finding. This is a documentation issue and the District response on documentation standards is located in our response to Finding 1 above.

SCO's Comment

The district incorrectly identified the sample size for FY 2005-06 secondary schools. The correct sample size is 147 students.

We disagree that there is a need to separately discuss the one unallowable initial truancy notification referenced. The SCO requested that the district provide attendance records showing that the students accumulated the minimum number of unexcused absences or tardiness occurrences between ages 6 and 18. If the district provided no records, then the audit conclusion is that the student did not have the required unexcused absences. Because the district provided attendance record documentation for 885 of the 886 sampled students, we believe that the district is well-versed on the documentation criterion.

District's Response

F. Age of Student

The audit report disallows 57 notices in the audit sample for the elementary school for students that were less than 6 years of age and disallows six notices in the audit sample for the secondary schools for students that were older than eighteen years of age, citing the compulsory attendance law, Education Code Section 48200 [footnote excluded]. Section 48200 and Section 48400 [footnote excluded] establish the legal *requirement* for attendance for persons of the ages 6 through 18 years of age, and an offense enforceable against parents who fail to send their

children to school. However, younger persons have the statutory entitlement to attend kindergarten pursuant to Section 48000 [footnote excluded], and first-grade pursuant to Section 48010 [footnote excluded] and Section 48011 [footnote excluded], that cannot be denied by a school district. In addition, special education students are statutorily entitled to educational services from ages 3 to 22 years pursuant to Section 56026 [footnote excluded].

The District is required by Section 46000 [footnote excluded] to record and keep attendance and report absences of *all students* according to the regulations of the State Board of Education for purposes of apportionment and general compliance with the compulsory education law (Title 5, CCR, Section 400 [footnote excluded], et seq.). The initial notification of truancy is a product of the attendance accounting process and promotes compliance of the compulsory education law and *every pupil's* duty to attend school regularly (Title 5, CCR, Section 300 [footnote excluded]).

SCO's Comment

The district states that the audit report disallows six initial truancy notifications for secondary school students who were older than 18 years of age. The statement is incorrect. The audit report identified six unallowable secondary school initial truancy notifications because students did not accumulate the required number of unexcused absences or tardiness occurrences while between ages 6 and 18.

The district confuses students' statutory *requirement* to attend school between ages 6 and 18 with students' *entitlement* to attend outside of that age range. Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code 48200 states:

Each person between the ages of 6 and 18 [emphasis added] not exempted . . . is subject to compulsory full-time education.

Student absences that occur before the student's 6th birthday or after the student's 18th birthday are irrelevant when determining whether a student is a truant.

District's Response

G. Number of absences required for the initial notification

The audit report disallows 57 notices in the audit sample for the elementary school and disallows one notice in the audit sample for secondary schools because the District was unable to document that the pupils had accumulated the required number of unexcused absences or tardies necessary to be classified as truant under the mandated program. Education Code Section 48260, as recodified by Chapter 1010, Statutes of 1976, required a pupil to be classified as truant "who is absent from school without valid excuse more than three days or tardy in excess of 30 minutes on each of more than three days in one school year." The original parameters and guidelines were based on this definition of a truant, that is, a pupil with more than three unexcused absences or tardy for more than three periods. Education Code Section 48260, as amended by Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, requires a pupil to be classified as truant "who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday." The parameters and guidelines were amended January 31, 2008, to incorporate the change in the Education Code definition of a truant with retroactive effect to FY 2006-07. Thus, until FY

2006-07, the parameters and guidelines required at least four unexcused absences for the pupil to be classified as a reimbursable truant, while Education Code Section 48260 required only three unexcused absences beginning in 1995. The audit report concludes that since the effective date of the amended parameters and guidelines is July 1, 2006, in order to be reimbursed, the student must accumulate a fourth absence or tardy to claim reimbursement for fiscal years prior to FY 2006-07.

The parameters and guidelines specifically reference that the source of the definition of a truant is Section 48260. Therefore, any amendment of Section 48260 would independently and unilaterally change the essential requirements for the initial notice of truancy without the need for an amendment by the Commission on State Mandates . . . The audit report asserts that "school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs," and that "[t]his district, and all other California school districts, failed to file a test claim in response to" the revised Section 48260 definition of an initial truancy. As a matter of law, a new test claim was not needed. The parameters and guidelines were later amended at the Controller's request to accomplish the needed changes. Why the Controller did not act sooner, as early as 1995 when the law changed, is not indicated in the audit report.

The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the parameters and guidelines. Those sampled notifications with at least three absences or tardies are reimbursable. The Controller's disallowance of those notices is without legal authority.

SCO's Comment

The district states that any amendment of Education Code section 48260 "would independently and unilaterally change the essential requirements for the initial notice of truancy without the need for an amendment by the Commission on State Mandates." We disagree. The parameters and guidelines identify reimbursable mandated costs. For the audit period, the parameters and guidelines state:

A student shall be initially classified as truant upon the fourth unexcused absence, and the school must at that time perform the requirements mandated in Education Code Section 48260.5 as enacted by Chapter 498, Statutes of 1983.

Pursuant to Government Code section 17550 et seq., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a timely test claim in response to Chapter 1023, Statutes of 1994; therefore, reimbursable mandated costs remained the same until July 1, 2006. The ultimate process employed to revise the parameters and guidelines is irrelevant to the audit issue, which is that the district claimed non-reimbursable initial truancy notifications.

The district states that it "properly . . . issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the parameters and guidelines." We agree that Education Code section 48260.5 requires the district to issue an initial truancy notification upon a student's third unexcused absence or tardiness occurrence. We disagree that the parameters and guidelines require the district to "wait" for a fourth absence before issuing the notification. The parameters and guidelines contain no such language. The district confuses the difference between its statutory responsibility versus mandate-related reimbursable costs identified by the parameters and guidelines.

The district states:

Those sampled notifications with at least three absences or tardies are reimbursable. The Controller's disallowance of those notices is without legal authority.

We disagree that the "disallowance" is "without legal authority." The parameters and guidelines clearly state that initial truancy notifications are reimbursable under the mandated program for students who accumulated four or more unexcused absences or tardiness occurrences. Although the district contests the entire audit adjustment, we note that the district made no comment regarding those students who accumulated fewer than three unexcused absences or tardiness occurrences.

IV. DISTRICT CLAIMED NONCOMPLIANT INITIAL TRUANCY NOTIFICATIONS

Issue (Finding 3)

As a result of the revised audit report, the district has withdrawn this dispute.

V. AMOUNT PAID BY THE STATE

Issue

For each fiscal year, the audit report identifies the amount previously paid by the State. The district requested that the SCO support the amount paid by the State.

SCO Analysis:

At the time that the SCO issued the revised final audit report, the State had paid the district \$210,743 for FY 2003-04, \$233,635 for FY 2004-05, \$215,415 for FY 2005-06, and no payment for FY 2006-07. This payment information is current as of February 4, 2014. The amounts paid as of February 4, 2014, include cash payments, outstanding account receivables applied, and recovered offsets.

District's Response

This issue was not an audit finding. The amount of payments received from the state is an integral part of the reimbursement calculation. The Controller changed some of the claimed payment amounts received without a finding in the original or revised audit report.

<u>Amount Paid by the State</u>	<u>Fiscal Year of Claim</u>			
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
As Claimed	\$ -	\$ -	\$ -	\$ -
Audit Report	\$ 244,101	\$ 272,234	\$ -	\$ 46,437
Revised Audit Report	\$ 210,743	\$ 233,635	\$ 215,415	\$ -

The propriety of these adjustments cannot be determined until the Controller documents the reason for the changes.

SCO's Comment

The revised final audit report correctly identified the amounts paid by the State as of the report issuance date. Audit findings address issues of noncompliance with mandated program requirements. The State payments are not "a finding in the audit report" because they are not relevant to noncompliance issues.

The following table identifies the actions and dates relevant to the district's claims:

<u>Action</u>	<u>Amount</u>	<u>Date</u>	<u>Reference</u>
<u>FY 2003-04</u>			
District files FY 2003-04 claim	<u>\$ 244,101</u>	December 21, 2005	
SCO cash payment on actual claim	(244,101)	September 12, 2006	Tab 5
Recovered offsets applied:			
Annual Parent Notification (Consolidation) Program, FY 2008-09	33,267	December 6, 2010	Tab 6
Notification of Truancy Program, FY 2007-08	8	June 14, 2010	Tab 6
Annual Parent Notification (Consolidation) Program, FY 2007-08	5	June 14, 2010	Tab 6
Immunization Records Program, FY 2007-08	6	June 14, 2010	Tab 6
Immunization Records - Hepatitis B Program, FY 2007-08	4	June 14, 2010	Tab 6
Scoliosis Screening Program, FY 2007-08	8	June 14, 2010	Tab 6
Juvenile Court Notices II Program, FY 2007-08	12	June 14, 2010	Tab 6
Graduation Requirements Program, FY 2007-08	48	June 14, 2010	Tab 6
Net paid per revised audit report ¹	<u>\$ (210,743)</u>		
<u>FY 2004-05</u>			
District files FY 2004-05 claim	<u>\$ 272,234</u>	January 16, 2007	
SCO cash payment on actual claim	(272,234)	March 14, 2007	Tab 7
Recovered offsets applied:			
The Stull Act Program, FY 2008-09	36,189	December 6, 2010	Tab 8
Annual Parent Notification (Consolidation) Program, FY 2008-09	2,410	December 6, 2010	Tab 8
Net paid per revised audit report ¹	<u>\$ (233,635)</u>		
<u>FY 2005-06</u>			
District files FY 2005-06 claim	<u>\$ 243,123</u>	January 16, 2007	
AB 1610 cash payment on actual claim (Statutes of 2010, Chapter 724)	(215,415)	January 28, 2011	Tab 9
Net paid per revised audit report ¹	<u>\$ (215,415)</u>		
<u>FY 2006-07</u>			
District files FY 2006-07 claim	<u>\$ 226,423</u>	February 14, 2008	
SCO payment on estimated claim:			
Payment offset from Graduation Requirement Program, FY 2005-06	(46,437)	March 12, 2007	Tab 10
Recovered offset applied:			
Annual Parent Notification (Consolidation) Program, FY 2008-09	46,437	December 6, 2010	Tab 11
Net paid per revised audit report ¹	<u>\$ -</u>		

¹ Payments current as of February 4, 2013

The district was paid \$210,743 for FY 2003-04, \$233,635 for FY 2004-05, \$215,415 for FY 2005-06, and no payment for FY 2006-07 claims. The payments consist of the following:

- For the FY 2003-04 claim, the district received a cash payment of \$244,101 (Tab 5) that was reduced by recovered offsets applied to eight of its other filed mandate claims totaling \$33,358 (Tab 6).
- For the FY 2004-05 claim, the district received a cash payment of \$272,234 (Tab 7) that was reduced by recovered offsets applied to two of its other filed mandate claims totaling \$38,599 (Tab 8).
- For the FY 2005-06 claim, the district received an AB 1610 payment of \$215,415. The State Controller's Office remitted to Riverside County an AB 1610 payment of \$12,719,655 on January 28, 2011. The Riverside County Office of Education allocated the payment to individual

school districts in Riverside County. Riverside Unified School District was paid \$1,275,446 for its mandate claims. Of this amount, \$215,415 was allocated for the FY 2005-06 Notification of Truancy Program claim (Tab 9).

- For the FY 2006-07 claim, the district received a payment of \$46,437 from a previous payment made on its FY 2005-06 Graduation Requirements Program claim (Tab 10) that was reduced by a recovered offset applied to another of its filed mandate claim totaling \$46,437 (Tab 11).

The district did not contest the payment amounts in its December 14, 2009 response to our draft audit report (Exhibit D).

Title 2, *California Code of Regulations*, Section 1185, allows the district to file an incorrect reduction claim “[t]o obtain a determination that the Office of the State Controller incorrectly reduced a reimbursement claim.” The State payment information has no relevance to reducing a reimbursement claim. The district is misusing the incorrect reduction claim process to perform its internal revenue accounting. Neither the CSM nor the SCO is responsible for the district’s proper accounting of its current mandated cost program revenues.

VI. CONCLUSION

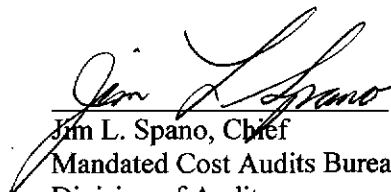
The State Controller’s Office audited Riverside Unified School District’s claims for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; and Chapter 19, Statutes of 1995) for the period of July 1, 2003, through June 30, 2007. The district claimed unallowable costs totaling \$127,968. The costs are unallowable because the district claimed unsupported, non-reimbursable, and noncompliant initial truancy notifications.

In conclusion, the CSM should find that: (1) the SCO correctly reduced the district’s FY 2003-04 claim by \$33,358; (2) the SCO correctly reduced the district’s FY 2004-05 claim by \$38,599; (3) the SCO correctly reduced the district’s FY 2005-06 claim by \$27,708; and (4) the SCO correctly reduced the district’s FY 2006-07 claim by \$28,303.

VII. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on March 4, 2014, at Sacramento, California, by:


Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller’s Office

Tab 3

Adopted: 8/27/87
Amended: 7/28/88
Amended: 7/22/93
Amended: 1/31/08
Amended: 5/27/10

**Amendment to Parameters and Guidelines
as Directed by the Legislature**

Statutes 2007, Chapter 69 (AB 1698)

Education Code Section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

Statutes 1995, Chapter 19

Notification of Truancy

05-PGA-56 (07-PGA-01; 4133)

Effective Date: Beginning with Claims Filed for the
July 1, 2006 – June 30, 2007 Period of Reimbursement

I. BACKGROUND AND SUMMARY OF MANDATE

Chapter 498, Statutes of 1983, added Education Code Section 48260.5 which requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district, and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

Board of Control Decision

On November 29, 1984, the State Board of Control determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a

A. Scope of Mandate

The eligible claimant shall be reimbursed for only those costs incurred for planning the notification process, revising district procedures, the printing and distribution of notification forms, and associated record keeping.

B. Reimbursable Activities

For each eligible school district the direct and indirect costs of labor, supplies, and services incurred for the following mandated program activities are reimbursable:

1. Planning and Preparation -- One-time

Planning the method of implementation, revising school district policies, and designing and printing the forms.

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

- a. That the pupil is truant.
- b. That the parent or guardian is obligated to compel the attendance of the pupil at school.
- c. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.
- d. That alternative educational programs are available in the district.
- e. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
- f. That the pupil may be subject to prosecution under Section 48264.
- g. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
- h. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

C. Uniform Cost Allowance

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance for reimbursement in lieu of payment of total actual costs incurred. The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983.

For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.

3. Services and Supplies

Only expenditures which can be identified as a direct cost as a result of the mandated program can be claimed. List cost of materials which have been consumed or expended specifically for the purposes of this mandated program.

4. Allowable Overhead Costs

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education. County offices of education must use the J-73A (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the State Department of Education.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

A. Uniform Allowance Reimbursement

Documentation which indicates the total number of initial notifications of truancy distributed.

B. Reimbursement of Unique Costs

In addition to maintaining the **same** documentation as required for uniform cost allowance reimbursement, all costs claimed must be traceable to source documents **and/or** worksheets that show evidence of the validity of such costs.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the uniform cost allowance and actual cost reimbursement for unique circumstances claimed. In addition, reimbursement for this mandated

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

Tab 4

**RIVERSIDE UNIFIED SCHOOL DISTRICT
NOTIFICATION OF TRUANCY PROGRAM
JULY 1, 2003, THROUGH JUNE 30, 2007**

ANALYSIS OF STATISTICAL SAMPLE RESULTS

	Fiscal Year		
	2003-04	2004-05	2005-06
Non-reimbursable initial truancy notifications (A):			
Elementary Schools	36	40	38
Secondary Schools	3	2	3
Sample size (B):			
Elementary Schools	148	148	147
Secondary Schools	148	148	147
Error rate ((C) = (A) ÷ (B)):			
Elementary Schools	24.32%	27.03%	25.85%
Secondary Schools	2.03%	1.35%	2.04%
Population (D):			
Elementary Schools	9,214	9,395	8,016
Secondary Schools	8,705	9,706	8,083
Point estimate ((E) = (C) ÷ (D)):			
Elementary Schools	2,241	2,539	2,072
Secondary Schools	177	131	165
Confidence level factor (F) (95% confidence level)			
	1.96	1.96	1.96
Universe standard error (G):¹			
Elementary Schools	323	341	288
Secondary Schools	100	92	94
Upper limit (H) = (E) + ((F) x (G)):			
Elementary Schools (overstated)/understated	(2,874)	(3,207)	(2,636)
Secondary Schools (overstated)/understated	(373)	(311)	(349)
Lower limit (J) = (E) - ((F) x (G)):			
Elementary Schools (overstated)/understated	(1,608)	(1,871)	(1,508)
Secondary Schools (overstated)/understated	19	49	19

Source for formulas: <http://www.slideshare.net/mbakley/sampling-2599829>

$$^1 (G) = (D) \times \sqrt{\frac{(C) \times (1 - C)}{((B)-1) \times (1 - ((B) \div (D)))}}$$

**RIVERSIDE UNIFIED SCHOOL DISTRICT
NOTIFICATION OF TRUANCY PROGRAM
JULY 1, 2003, THROUGH JUNE 30, 2007**

CALCULATION OF AUDIT ADJUSTMENT RANGE

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications - upper limit (H)	(2,874)	(3,207)	(2,636)	
Unclaimed initial truancy notifications	-	-	454	
Subtotal	(2,874)	(3,207)	(2,182)	
Uniform cost allowance	x \$13.66	x \$14.28	x \$15.54	
Subtotal	<u>\$ (39,259)</u>	<u>\$ (45,796)</u>	<u>\$ (33,908)</u>	\$ (118,963)
<u>Secondary schools</u>				
Number of unallowable initial truancy notifications - upper limit (H)	(373)	(311)	(349)	
Uniform cost allowance	x \$13.66	x \$14.28	x \$15.54	
Subtotal	<u>\$ (5,095)</u>	<u>\$ (4,441)</u>	<u>\$ (5,423)</u>	<u>(14,959)</u>
Audit adjustment, upper limit	<u>\$ (44,354)</u>	<u>\$ (50,237)</u>	<u>\$ (39,331)</u>	<u>\$ (133,922)</u>
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications - lower limit (J)	(1,608)	(1,871)	(1,508)	
Unclaimed initial truancy notifications	-	-	454	
Subtotal	(1,608)	(1,871)	(1,054)	
Uniform cost allowance	x \$13.66	x \$14.28	x \$15.54	
Subtotal	<u>\$ (21,965)</u>	<u>\$ (26,718)</u>	<u>\$ (16,379)</u>	\$ (65,062)
<u>Secondary schools</u>				
Number of unallowable initial truancy notifications - lower limit (J)	19	49	19	
Uniform cost allowance	x \$13.66	x \$14.28	x \$15.54	
Subtotal	<u>\$ 260</u>	<u>\$ 700</u>	<u>\$ 295</u>	<u>1,255</u>
Audit adjustment, lower limit	<u>\$ (21,705)</u>	<u>\$ (26,018)</u>	<u>\$ (16,084)</u>	<u>\$ (63,807)</u>

Tab 5

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED
DIRECTLY TO THE PAYEE.

BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

WARRANT AMT: ***244,101.00

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 09/12/2006

CLAIM SCHEDULE NBR: MA62121A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTION, CALL MOHAMMED AZIZ @ 916-323-2892

ACL : 498/83

PROG : NOTICE OF TRUANCY CH 498/83

2003/2004 ACTUAL PAYMENT

CLAIMED AMT: 245,101.00

TOTAL ADJUSTMENTS: (SEE BELOW)

1,000.00

TOTAL APPROVED CLAIMED AMT:

244,101.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

100.000000

PRORATA BALANCE DUE:

.00

APPROVED PAYMENT AMOUNT:

244,101.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT:

244,101.00

ADJUSTMENTS ITEMIZED:

LATE CLAIM PENALTY

=====

1,000.00-

Tab 6

S33120
00048
2010/02/25

FEBRUARY 25, 2010
BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2003/2004 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		245,101.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	34,358.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-244,101.00

AMOUNT DUE STATE	\$	33,358.00
		=====

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 33,358.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT TIFFANY HOANG AT (916) 323-1127 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:

LATE CLAIM PENALTY	-	1,000.00	
FIELD AUDIT FINDINGS	-	33,358.00	
TOTAL ADJUSTMENTS			- 34,358.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA62121A			
PAID 09-12-2006		0.00	
TOTAL PRIOR PAYMENTS			-244,101.00

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00

RIVERSIDE UNIFIED SCHOOL DIST

RIVERSIDE COUNTY

6050 INDUSTRIAL AVENUE

RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00272

ISSUE DATE: 12/06/2010

CLAIM SCHEDULE NBR: MA03301A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLEASE CALL KIM NGUYEN AT (916) 324-7876

ACL : CH. 448/75

PROG : ANNUAL PARENT CONSOL: 36/77-S

2008/2009 ACTUAL PAYMENT

CLAIMED AMT: 101,083.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

101,083.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

81.234253

PRORATA BALANCE DUE:

18,969.00-

APPROVED PAYMENT AMOUNT:

82,114.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY : 49 04/05

2,410-

CH. 498/83

NOTICE OF TRUANCY : 49 06/07

46,437-

498/83

NOTICE OF TRUANCY : 49 03/04

33,267-

NET PAYMENT AMOUNT:

.00

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94424A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLS CONTACT ELLEN SOLIS (916) 323-0698

ACL : 498/83

PROG : NOTICE OF TRUANCY CH 498/83

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 288,887.00

TOTAL ADJUSTMENTS: (SEE BELOW)

10,000.00

TOTAL APPROVED CLAIMED AMT:

278,887.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.005663

PRORATA BALANCE DUE:

278,879.00-

APPROVED PAYMENT AMOUNT:

8.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

8-

NET PAYMENT AMOUNT:

.00

ADJUSTMENTS ITEMIZED:

LATE CLAIM PENALTY

=====

10,000.00-

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVENUE
 RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00272

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94212A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS REGARDING THIS CLAIM CALL VAL 916 323-0734

ACL : 448/75

PROG : CONSOLIDATION OF APN (S)

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 93,196.00

TOTAL ADJUSTMENTS: (SEE BELOW)

9,320.00

TOTAL APPROVED CLAIMED AMT:

83,876.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.010827

PRORATA BALANCE DUE:

83,871.00-

APPROVED PAYMENT AMOUNT:

5.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

5-

NET PAYMENT AMOUNT:

.00

ADJUSTMENTS ITEMIZED:

=====

LATE CLAIM PENALTY

9,320.00-

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVENUE
 RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00032

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94211A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS REGARDING THIS CLAIM CALL VAL 916 323-0734

ACL : 1176/77

PROG : IMMUNIZATION RECORD CH 1176/77

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 28,009.00

TOTAL ADJUSTMENTS: (SEE BELOW) .00

TOTAL APPROVED CLAIMED AMT: 28,009.00

LESS PRIOR PAYMENTS: .00

PRORATA PERCENT: .022900

PRORATA BALANCE DUE: 28,310.00-

APPROVED PAYMENT AMOUNT: 6.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83 NOTICE OF TRUANCY CH 498 03/04 6-

NET PAYMENT AMOUNT: .00

ADJUSTMENTS ITEMIZED: =====

SMAS ADJUSTMENTS 307.00

CONTROLLER OF CALIFORNIA
P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

S33120

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.
NO WARRANT WILL BE MAILED.
THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00230

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94209A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS REGARDING THIS CLAIM CALL VAL 916 323-0734

ACL : 325/78

PROG : IMMUN RECS: HEPA B CH 325/78

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 23,641.00

TOTAL ADJUSTMENTS: (SEE BELOW)

2,364.00

TOTAL APPROVED CLAIMED AMT:

21,277.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.018070

PRORATA BALANCE DUE:

21,273.00-

APPROVED PAYMENT AMOUNT:

4.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

4-

NET PAYMENT AMOUNT:

.00

ADJUSTMENTS ITEMIZED:

LATE CLAIM PENALTY

=====

2,364.00-

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVENUE
 RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00058

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94420A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLS CONTACT ELLEN SOLIS (916) 323-0698

ACL : 1347/80

PROG : SCOLIOSIS SCREENING CH 1347/80

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 25,461.00

TOTAL ADJUSTMENTS: (SEE BELOW)

241.00

TOTAL APPROVED CLAIMED AMT:

25,220.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.029746

PRORATA BALANCE DUE:

25,212.00-

APPROVED PAYMENT AMOUNT:

8.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

8-

NET PAYMENT AMOUNT:

.00

ADJUSTMENTS ITEMIZED:

=====

LATE CLAIM PENALTY

241.00-

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVENUE
 RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00155

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94410A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLS. CONTACT ELLEN SOLIS (916) 323-0698

ACL : 1011/84

PROG : JUV COURT NOTICES II CH1423/84

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 15,887.00

TOTAL ADJUSTMENTS: (SEE BELOW)

1,589.00

TOTAL APPROVED CLAIMED AMT:

14,298.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.086213

PRORATA BALANCE DUE:

14,286.00-

APPROVED PAYMENT AMOUNT:

12.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

12-

NET PAYMENT AMOUNT:

.00

ADJUSTMENTS ITEMIZED:

LATE CLAIM PENALTY

=====

1,589.00-

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00026

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA93716A

REIMBURSEMENT OF STATE MANDATED COSTS

IF YOU HAVE ANY QUESTIONS PLEASE CALL TIFFANY AT 916-323-1127

ACL : 498/83

PROG : GRADUATION REQ'MENTS CH 498/83

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 1,734,656.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

1,734,656.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.002788

PRORATA BALANCE DUE:

1,734,608.00-

APPROVED PAYMENT AMOUNT:

48.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY CH 498 03/04

48-

NET PAYMENT AMOUNT:

.00

Tab 7

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED
DIRECTLY TO THE PAYEE.

BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

WARRANT AMT: ***272,234.00

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 03/14/2007

CLAIM SCHEDULE NBR: MA62101Z

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTION, CALL MOHAMMED AZIZ @ 916-323-2892

ACL : 498/83

PROG : NOTICE OF TRUANCY CH 498/83

2004/2005 ACTUAL PAYMENT

CLAIMED AMT: 273,234.00

TOTAL ADJUSTMENTS: (SEE BELOW)

1,000.00

TOTAL APPROVED CLAIMED AMT:

272,234.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

100.000000

PRORATA BALANCE DUE:

.00

APPROVED PAYMENT AMOUNT:

272,234.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT:

272,234.00

ADJUSTMENTS ITEMIZED:

LATE CLAIM PENALTY

=====

1,000.00-

Tab 8

S33120
00048
2010/02/27

FEBRUARY 27, 2010
BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2004/2005 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		273,234.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	39,599.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-272,234.00

AMOUNT DUE STATE	\$	38,599.00
		=====

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 38,599.00 WITHIN 30 DAYS FROM THE DATE OF THIS LETTER, PAYABLE TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ACCOUNTING AND REPORTING, P.O. BOX 942850, SACRAMENTO, CA 94250-5875 WITH A COPY OF THIS LETTER. FAILURE TO REMIT THE AMOUNT DUE WILL RESULT IN OUR OFFICE PROCEEDING TO OFFSET THE AMOUNT FROM THE NEXT PAYMENTS DUE TO YOUR AGENCY FOR STATE MANDATED COST PROGRAMS.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT TIFFANY HOANG AT (916) 323-1127 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:

LATE CLAIM PENALTY	-	1,000.00	
FIELD AUDIT FINDINGS	-	38,599.00	
TOTAL ADJUSTMENTS			- 39,599.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA62101Z			
PAID 03-14-2007		0.00	
TOTAL PRIOR PAYMENTS			-272,234.00

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED
DIRECTLY TO THE PAYEE.

BOARD OF TRUSTEES
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

WARRANT AMT: ***490,013.00

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00260

ISSUE DATE: 12/06/2010

CLAIM SCHEDULE NBR: MA04209A

REIMBURSEMENT OF STATE MANDATED COSTS

FOR QUESTION PLEASE CALL VAL @ 916-323-0734

ACL : CH. 498/83

PROG : THE STULL ACT

: 498/83-S

2008/2009 ACTUAL PAYMENT

CLAIMED AMT:

655,595.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

655,595.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

80.263242

PRORATA BALANCE DUE:

129,393.00-

APPROVED PAYMENT AMOUNT:

526,202.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY : 49 04/05

36,189-

NET PAYMENT AMOUNT:

490,013.00

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.

NO WARRANT WILL BE MAILED.

THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
 RIVERSIDE UNIFIED SCHOOL DIST
 RIVERSIDE COUNTY
 6050 INDUSTRIAL AVENUE
 RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00272

ISSUE DATE: 12/06/2010

CLAIM SCHEDULE NBR: MA03301A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLEASE CALL KIM NGUYEN AT (916) 324-7876

ACL : CH. 448/75

PROG : ANNUAL PARENT CONSOL: 36/77-S

2008/2009 ACTUAL PAYMENT

CLAIMED AMT: 101,083.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

101,083.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

81.234253

PRORATA BALANCE DUE:

18,969.00-

APPROVED PAYMENT AMOUNT:

82,114.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY : 49 04/05

2,410-

CH. 498/83

NOTICE OF TRUANCY : 49 06/07

46,437-

498/83

NOTICE OF TRUANCY : 49 03/04

33,267-

NET PAYMENT AMOUNT:

.00

Tab 9

State Controller's Office
 Division of Accounting and Reporting
 Apportionment Payment Applied to State Mandated Claims
 Claimant's Account Summary
 As of December 01, 2012

Claimant Name: RIVERSIDE UNIFIED SCHOOL DISTRICT

Apportionment Amount: \$ 1,275,446

(A) Program Name	(B) Program Number	(C) Legal Reference	(D) Fiscal Year	(E) Claim Offset	(F) Accrued Interest Offset	(G) Apportionment Offset (E)+(F)
Annual Parent Notification III	221	Ch. 448/75	20002001	\$ -	\$ 3,259	\$ 3,259
Civic Center Act	114	Ch. 49/84	19901991	-	186	186
Civic Center Act	114	Ch. 49/84	19911992	-	332	332
Civic Center Act	114	Ch. 49/84	19921993	-	752	752
Collective Bargaining	11	Ch. 961/75, 1213/91	19941995	-	11,145	11,145
Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools	272	Ch. 36/77, et.al	20042005	-	2,775	2,775
Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools	272	Ch. 36/77, et.al	20052006	88,024	7,936	95,960
Immunization Records	32	Ch. 1176/77	20052006	25,687	2,319	28,006
Immunization Records	32	Ch. 1176/77	20062007	22,319	1,001	23,320
Immunization Records - Hepatitis B	230	Ch. 325/78	20052006	21,743	1,957	23,700
Juvenile Court Notices II	155	Ch. 1423/84	20052006	15,063	1,358	16,421
Law Enforcement Agency Notification	157	Ch. 1117/89	19941995	-	19	19
Law Enforcement Agency Notification	157	Ch. 1117/89	19951996	-	19	19
Notification of Truancy	48	Ch. 498/83	20052006	215,415	19,421	234,836
Open Meetings Act /Brown Act Reform	218	Ch. 641/86	20012002	32,112	6,252	38,364
Open Meetings Act /Brown Act Reform	218	Ch. 641/86	20022003	18,669	3,211	21,880
Open Meetings Act /Brown Act Reform	218	Ch. 641/86	20032004	21,021	2,894	23,915
Open Meetings Act II	201	Ch. 641/86	20002001	16,778	3,567	20,345
Pupil Exclusions	165	Ch. 668/78	19931994	-	126	126
Pupil Exclusions	165	Ch. 668/78	19941995	-	129	129
Pupil Exclusions	165	Ch. 668/78	19951996	-	133	133
Pupil Exclusions	165	Ch. 668/78	19961997	-	151	151
Pupil Exclusions	165	Ch. 668/78	19971998	-	359	359
Pupil Exclusions	165	Ch. 668/78	19981999	-	33	33
Pupil Exclusions	165	Ch. 668/78	20002001	-	16	16
Pupil Exclusions	165	Ch. 668/78	20012002	-	16	16
Removal of Chemicals	57	Ch. 1107/84	19992000	-	118	118
Removal of Chemicals	57	Ch. 1107/84	20012002	6,922	1,445	8,367
Removal of Chemicals	57	Ch. 1107/84	20032004	40,209	5,545	45,754
School Accountability Report Cards	171	Ch. 1463/89	19961997	-	335	335

Apportionment Payment Applied to State Mandated Claims
 Claimant's Account Summary

State Controller's Office
 Division of Accounting and Reporting
 Apportionment Payment Applied to State Mandated Claims
 Claimant's Account Summary
 As of December 01, 2012

(A) Program Name	(B) Program Number	(C) Legal Reference	(D) Fiscal Year	(E) Claim Offset	(F) Accrued Interest Offset	(G) Apportionment Offset (E)+(F)
School Accountability Report Cards	171	Ch. 1463/89	19971998	\$ -	\$ 497	\$ 497
School Accountability Report Cards	171	Ch. 1463/89	20002001	-	468	468
School Bus Safety I and II	184	Ch. 624/92	19961997	5,589	1,339	6,928
School Bus Safety I and II	184	Ch. 624/92	19971998	11,271	2,701	13,972
School Bus Safety I and II	184	Ch. 624/92	19981999	12,207	2,925	15,132
School Bus Safety I and II	184	Ch. 624/92	19992000	16,283	3,902	20,185
School Bus Safety I and II	184	Ch. 624/92	20002001	13,819	2,960	16,779
School Crimes Reporting II	190	Ch. 1607/84	20002001	-	2,967	2,967
School District of Choice: Transfers and Appeals	156	Ch. 160/93	20002001	-	3,809	3,809
Scoliosis Screening	58	Ch. 1347/80	20052006	20,452	1,844	22,296
Standardized Testing and Reporting	208	Ch. 828/97	19992000	280,277	54,569	334,846
Standardized Testing and Reporting	208	Ch. 828/97	20002001	170,554	33,206	203,760
The Stull Act	260	Ch. 498/83	20052006	33,036	-	33,036
Riverside Unified School District Total				\$ 1,087,450	\$ 187,996	\$ 1,275,446

30	73924	Los Alamitos Unified			9,248.18	\$	293,144
31	10314	Placer Co. Office of Education			583.04	\$	18,481
31	66761	Ackerman Elementary	00D9	N	480.51	\$	15,231
31	66779	Alta-Dutch Flat Union Elementary			112.74	\$	3,574
31	66787	Auburn Union Elementary			2,030.13	\$	64,350
31	66795	119214 CORE Placer Charter	1064	D	220.07	\$	6,976
31	66795	Colfax Elementary			364.66	\$	11,559
31	66803	Dry Creek Joint Elementary			6,999.72	\$	221,873
31	66829	Eureka Union Elementary			3,392.11	\$	107,521
31	66837	Foresthill Union Elementary			462.47	\$	14,659
31	66845	Loomis Union Elementary			2,415.75	\$	76,573
31	66852	Newcastle Elementary			443.14	\$	14,046
31	66886	Placer Hills Union Elementary			1,020.66	\$	32,352
31	66894	Placer Union High			4,112.38	\$	130,352
31	66910	Roseville City Elementary			9,217.69	\$	292,177
31	66928	Roseville Joint Union High			9,296.92	\$	294,689
31	66944	Tahoe-Truckee Joint Unified			3,680.14	\$	116,651
31	66951	3130168 Horizon Charter School	15	D	2,918.08	\$	92,496
31	66951	Western Placer Unified			6,149.79	\$	194,933
31	75085	114371 Rocklin Academy at Meyers Street	900	D	154.71	\$	4,904
31	75085	117879 Maria Montessori Charter Academy	1042	D	234.36	\$	7,429
31	75085	6118392 Rocklin Academy	308	D	382.50	\$	12,124
31	75085	Rocklin Unified			10,143.97	\$	321,538
31	76570	119487 Western Sierra Collegiate Academy	1071	D	146.01	\$	4,628
32	10322	Plumas Co. Office of Education			22.91	\$	726
32	66969	3230083 Plumas Charter School	146	D	182.24	\$	5,777
32	66969	Plumas Unified			2,023.36	\$	64,135
33	10330	110833 River Springs Charter School	753	D	3,767.11	\$	119,408
33	10330	Riverside Co. Office of Education			2,653.84	\$	84,120
33	66977	Alvord Unified			18,860.87	\$	597,841
33	66985	Banning Unified			4,308.38	\$	136,565
33	66993	Beaumont Unified			7,836.12	\$	248,385
33	67033	Corona-Norco Unified			50,549.27	\$	1,602,283
33	67041	Desert Center Unified			18.59	\$	589
33	67058	Desert Sands Unified			27,677.18	\$	877,296
33	67082	Hemet Unified			21,004.76	\$	665,797
33	67090	Jurupa Unified			19,467.55	\$	617,072
33	67116	109843 Santa Rosa Academy	730	D	581.87	\$	18,444
33	67116	Menifee Union Elementary			8,452.64	\$	267,927
33	67124	Moreno Valley Unified			34,174.56	\$	1,083,246
33	67157	120279 Mercury On-Line Academy of Southern California	1104	D	94.06	\$	2,981
33	67157	Nuview Union Elementary			1,894.19	\$	60,041
33	67173	Palm Springs Unified			22,413.19	\$	710,441
33	67181	Palo Verde Unified			3,333.77	\$	105,672
33	67199	Perris Elementary			5,434.22	\$	172,251
33	67207	Perris Union High			9,756.12	\$	309,244
33	67215	106526 Gateway to College Early College High School	620	D	173.56	\$	5,501
33	67215	Riverside Unified			40,238.12	\$	1,275,446
33	67231	Romoland Elementary			2,799.46	\$	88,736
33	67249	6114748 San Jacinto Valley Academy	129	D	554.90	\$	17,589
33	67249	San Jacinto Unified			8,463.66	\$	268,276
33	73676	Coachella Valley Unified			17,446.04	\$	552,995
33	75176	120204 Sycamore Academy of Science and Cultural Arts	1118	D	235.53	\$	7,466
33	75176	Lake Elsinore Unified			20,835.11	\$	660,420
33	75192	3330917 Temecula Preparatory School	284	D	667.19	\$	21,148
33	75192	6112551 Temecula Valley Charter School	65	D	418.84	\$	13,276
33	75192	Temecula Valley Unified			27,715.75	\$	878,519
33	75200	Murrieta Valley Unified			20,934.39	\$	663,567
33	75242	Val Verde Unified			18,522.42	\$	587,113
34	10348	Sacramento Co. Office of Education			876.86	\$	27,794
34	67280	Arcohe Union Elementary			419.73	\$	13,304
34	67314	111732 California Montessori Project-Elk Grove Campus	777	D	275.82	\$	8,743
34	67314	Elk Grove Unified			59,028.51	\$	1,871,053
34	67322	Elverta Joint Elementary			263.45	\$	8,351
34	67330	Folsom-Cordova Unified			18,350.81	\$	581,674
34	67348	Galt Joint Union Elementary			3,928.23	\$	124,515
34	67355	Galt Joint Union High			2,132.47	\$	67,594

127,719,655

CONTROLLER OF CALIFORNIA, STATE OF CALIFORNIA

P O BOX 942850, SACRAMENTO, CA 94250-0001

REMITTANCE ADVICE

CLAIM SCHEDULE NUMBER: 1000148A
PAYMENT ISSUE DATE: 01/28/2011

RIVERSIDE COUNTY TREASURER
C/O UNION BANK OF CA ST GOV
PO BOX 4035
SACRAMENTO, CA 95812 4035

Financial Activity

Additional Description:

For the purpose of offsetting the 2009-10 outstanding balance of the state minimum funding obligation to school districts. (Education Code section 41207.4)

For standardized account code structure coding, use Resource Code 0000, Unrestricted, and Revenue Object Code 8550, Mandated Cost Reimbursements.

Collection Period: 07/01/2010 To 06/30/2011

Payment Calculations:

Allocated Amt	12,719,655.00
Gross Claim	\$12,719,655.00
Net Claim / Payment Amount	\$12,719,655.00
YTD Amount:	\$12,719,655.00

For assistance, please call: Linda Brida at (916) 324-8605

Remittance Advice - EFT

Page 33 of 59

**Per-ADA Apportionment Pursuant to Education Code Section 41207.4
Fiscal Year 2010-11**

ADA Reported at 2009-10				
County Code	County Name	Second Principal Apportionment	Apportionment Amount	
01	Alameda	203,834.67	\$	6,461,041
02	Alpine	102.29	\$	3,242
03	Amador	4,193.78	\$	132,932
04	Butte	29,682.94	\$	940,873
05	Calaveras	6,016.46	\$	190,706
06	Colusa	4,273.80	\$	135,469
07	Contra Costa	159,379.93	\$	5,051,937
08	Del Norte	4,066.48	\$	128,897
09	El Dorado	28,317.96	\$	897,607
10	Fresno	182,281.94	\$	5,777,874
11	Glenn	5,470.23	\$	173,391
12	Humboldt	17,103.47	\$	542,137
13	Imperial	34,523.31	\$	1,094,302
14	Inyo	3,219.04	\$	102,036
15	Kern	164,981.79	\$	5,229,502
16	Kings	26,997.32	\$	855,745
17	Lake	8,658.52	\$	274,453
18	Lassen	4,533.95	\$	143,713
19	Los Angeles	1,529,319.09	\$	48,475,510
20	Madera	28,104.90	\$	890,853
21	Marin	28,796.56	\$	912,778
22	Mariposa	1,999.90	\$	63,392
23	Mendocino	12,162.48	\$	385,520
24	Merced	53,280.71	\$	1,688,859
25	Modoc	1,521.14	\$	48,216
26	Mono	1,553.91	\$	49,254
27	Monterey	67,179.31	\$	2,129,413
28	Napa	19,489.51	\$	617,768
29	Nevada	12,526.57	\$	397,059
30	Orange	484,411.67	\$	15,354,615
31	Placer	64,961.55	\$	2,059,116
32	Plumas	2,228.51	\$	70,638
33	Riverside	401,283.26	\$	12,719,655
34	Sacramento	225,507.01	\$	7,147,998
35	San Benito	10,772.36	\$	341,457
36	San Bernardino	395,234.25	\$	12,527,914
37	San Diego	473,572.45	\$	15,011,043
38	San Francisco	53,956.38	\$	1,710,280

Tab 10

CONTROLLER OF CALIFORNIA

S33120

P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.
NO WARRANT WILL BE MAILED.
THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES *****.00
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND PGM NBR: 00048
ISSUE DATE: 03/12/2007 CLAIM SCHEDULE NBR: MA62197E
REIMBURSEMENT OF STATE MANDATED COSTS
ANY QUESTION, CALL MOHAMMED AZIZ@ 916-323-2892
ACL : CH. 498/83 PROG : NOTICE OF TRUANCY CH 498/83
2006/2007 ESTIMATED PAYMENT CLAIMED AMT: 260,000.00
TOTAL ADJUSTMENTS: .00
TOTAL APPROVED CLAIMED AMT: 260,000.00
LESS PRIOR PAYMENTS: .00
PRORATA PERCENT: 17.860490
PRORATA BALANCE DUE: 213,563.00-
APPROVED PAYMENT AMOUNT: 46,437.00
PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):
CH 498/83 GRADUATION REQ'MENTS CH 05/06 46,437-
NET PAYMENT AMOUNT: .00

Tab 11

CONTROLLER OF CALIFORNIA
P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

S33120

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BOARD OF TRUSTEES *****.00
RIVERSIDE UNIFIED SCHOOL DIST
RIVERSIDE COUNTY
6050 INDUSTRIAL AVENUE
RIVERSIDE CA 92504

PAYEE: TREASURER, RIVERSIDE UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00272

ISSUE DATE: 12/06/2010

CLAIM SCHEDULE NBR: MA03301A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLEASE CALL KIM NGUYEN AT (916) 324-7876

ACL : CH. 448/75

PROG : ANNUAL PARENT CONSOL: 36/77-S

2008/2009 ACTUAL PAYMENT

CLAIMED AMT: 101,083.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

101,083.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

81.234253

PRORATA BALANCE DUE:

18,969.00-

APPROVED PAYMENT AMOUNT:

82,114.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

498/83

NOTICE OF TRUANCY : 49 04/05

2,410-

CH. 498/83

NOTICE OF TRUANCY : 49 06/07

46,437-

498/83

NOTICE OF TRUANCY : 49 03/04

33,267-

NET PAYMENT AMOUNT:

.00

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On October 7, 2014, I served the:

SCO Comments

Incorrect Reduction Claim

Notification of Truancy, 10-904133-I-10 and 13-904133-I-12

Education Code Sections 48260 and 48260.5, Statutes 1983, Chapter 498

Fiscal Years: 2003-2004, 2004-2005, 2005-2006, and 2006-2007

Riverside Unified School District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on October 7, 2014 at Sacramento, California.



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COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 8/13/14

Claim Number: 10-904133-I-10 and 13-904133-I-12

Matter: Notification of Truancy

Claimant: Riverside Unified School District

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September 21, 2015

Mr. Keith B. Petersen
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 State Controller's Office
 Accounting and Reporting
 3301 C Street, Suite 700
 Sacramento, CA 95816

And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**
Notification of Truancy, 10-904133-I-10 and 13-904133-I-12
 Education Code Section 48260.5
 Statutes 1983, Chapter 498
 Fiscal Years: 2003-2004, 2004-2005, 2005-2006, and 2006-2007
 Riverside Unified School District, Claimant

Dear Mr. Petersen and Ms. Kanemasu:

The draft proposed decision for the above-named matter is enclosed for your review and comment.

Written Comments

Written comments may be filed on the draft proposed decision by **October 12, 2015**. You are advised that comments filed with the Commission on State Mandates (Commission) are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

Hearing

This matter is set for hearing on **Thursday, December 3, 2015**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. The proposed decision will be issued on or about November 19, 2015. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

Heather Halsey
 Executive Director

ITEM __
INCORRECT REDUCTION CLAIM
DRAFT PROPOSED DECISION

Education Code Section 48260.5

Statutes 1983, Chapter 498

Notification of Truancy

Fiscal Years 2003-2004, 2004-2005, 2005-2006, and 2006-2007

10-904133-I-10 and 13-904133-I-12

Riverside Unified School District, Claimant

EXECUTIVE SUMMARY

Overview

This analysis addresses reductions made by the State Controller's Office (Controller) to Riverside Unified School District's (claimant's) reimbursement claims for costs incurred during fiscal years 2003-2004 through 2006-2007 under the *Notification of Truancy* program.

The following issues are in dispute:

- Documentation requirements to substantiate the number of initial notifications of truancy issued;
- Reductions based on notifications of truancy issued for pupils who were not subject to compulsory attendance under the Education Code;
- Reductions based on notifications of truancy issued for pupils who accumulated three but not four unexcused absences or occurrences of tardiness; and
- The use of statistical sampling to support the reduction.

As explained herein, the Controller's reductions based on lacking or insufficient source documentation are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support. Staff further finds that reductions based on notifications of truancy issued for pupils not subject to compulsory education under the Education Code by virtue of being under age six or over age eighteen are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support. However, staff finds that reductions based on notifications of truancy issued for pupils who accumulated three but not four absences during the school year are incorrect as a matter of law, but reductions based on notifications issued for pupils who did not accumulate three absences are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support. Staff further finds that, with respect to the reduction for one notification in Finding 2 based on lack of sufficient documentation, the Controller has not identified any specific reason for the reduction or any evidence to support the

reduction, and therefore that reduction is entirely lacking in evidentiary support. And, staff ultimately finds that the use of statistical sampling to calculate a dollar figure for reduction of costs claimed is not arbitrary, capricious, or entirely lacking in evidentiary support.

The Notification of Truancy Program

Under California's compulsory education laws, children between the ages of six and 18 are required to attend school full-time, with a limited number of specified exceptions.¹ A pupil who accumulates a certain number or absences or instances of tardiness is deemed to be in violation of the compulsory education requirement, and is a truant.² Statutes 1983, chapter 498 added Education Code Section 48260.5, which specified as follows:

(a) Upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian, by first-class mail or other reasonable means, of the following:

(1) That the pupil is truant.

(2) That the parent or guardian is obligated to compel the attendance of the pupil at school.

(3) That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.

(b) The district also shall inform parents or guardians of the following:

(1) Alternative educational programs available in the district.

(2) The right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

On November 29, 1984, the Board of Control, the predecessor to the Commission on State Mandates (Commission), determined that Education Code Section 48260.5, as added by Statutes 1983, chapter 498, imposed a reimbursable state-mandated program to develop notification forms and provide written notice to the parents or guardians of the truancy.³

Accordingly, the Board of Control's test claim decision and the parameters and guidelines adopted by the Commission found that section 48260.5 imposed a state-mandated program requiring that upon a student's classification as a truant, the school must notify the pupil's parent or guardian. At the time of the test claim decision and adoption of the parameters and guidelines, section 48260, as enacted in 1976, which was found not to impose any mandated activities, provided that a truancy occurs when a student is "absent from school without valid

¹ Education Code section 48200.

² Education Code section 48260.

³ Exhibit X, Board of Control, Brief Written Statement for Adopted Mandate on the *Notification of Truancy* test claim (SB 90-4133).

excuse *more than three days* or tardy in excess of 30 minutes on each of *more than three days* in one school year...”⁴

The original parameters and guidelines were adopted by the Commission on August 27, 1987, and authorized reimbursement for the one-time activities of planning implementation, revising school district policies and procedures, and designing and printing the notification forms. Reimbursement was also authorized for ongoing activities to identify pupils to receive the initial notification and prepare and distribute the notification by first class mail or other reasonable means.

The Commission amended the parameters and guidelines on July 22, 1993, effective beginning July 1, 1992, to add a unit cost of \$10.21, adjusted annually by the Implicit Price Deflator, for each initial notification of truancy distributed, in lieu of requiring the claimant to provide documentation of actual costs to the Controller. The parameters and guidelines further provide that “school districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement.”⁵ These are the parameters and guidelines applicable to this claim.⁶

As later amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102), section 48260 provided that a pupil would be classified a truant “who is absent from school without valid excuse *three full days* in one school year, or tardy or absent for more than any 30-minute period during the school day without a valid excuse on *three occasions* in one school year, or any combination thereof...”⁷ At the same time, the Legislature amended section 48260.5 to require the school to also notify parents that a pupil may be subject to prosecution under section 48264; that a pupil may be subject to suspension or restriction of driving privileges under section 13202.7 of the Vehicle Code; and that it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.⁸ Those amendments were incorporated into the parameters and guidelines on January 31, 2008, effective July 1, 2006, at the Legislature’s direction, however, reimbursement for the program under the amended parameters and guidelines remained fixed at a unit cost of \$10.21, adjusted annually by the Implicit Price Deflator (\$19.63 for fiscal year 2013-14).⁹

⁴ Education Code section 48260 (Stats. 1976, ch. 1010).

⁵ Exhibit A, IRC 10-904133-I-10, page 46.

⁶ The parameters and guidelines as amended in 2008 are not applicable to this IRC.

⁷ Education Code section 48260, as amended by Statutes 1994, chapter 1023 and Statutes 1995, chapter 19.

⁸ Education Code section 48260.5, as amended by Statutes 1994, chapter 1023.

⁹ Statutes 2007, chapter 69 (AB 1698).

Procedural History

On February 5, 2010, the Controller issued the final audit report.¹⁰ On November 1, 2010, claimant filed Incorrect Reduction Claim (IRC) 10-904133-I-10.¹¹

On August 24, 2012, the Controller issued a revised audit report.¹² On November 15, 2013, the claimant filed a revised IRC (13-904133-I-12), which was consolidated with IRC 10-904133-I-10.¹³ On October 3, 2014, the Controller filed written comments on the consolidated IRCs.¹⁴

On September 21, 2015, Commission staff issued the draft proposed decision.¹⁵

Commission Responsibilities

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.¹⁶ The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."¹⁷

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to

¹⁰ Exhibit A, IRC 10-904133-I-10, page 59.

¹¹ Exhibit A, IRC 10-904133-I-10, page 1.

¹² See Exhibit B, IRC 13-904133-I-12, page 14.

¹³ Exhibit B, IRC 13-904133-I-12, page 1.

¹⁴ Exhibit C, Controller's Comments.

¹⁵ Exhibit D, Draft Proposed Decision.

¹⁶ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

¹⁷ *County of Sonoma*, supra, 84 Cal.App.4th 1264, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.¹⁸

The Commission must also review the Controller’s audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with claimant.¹⁹ In addition, sections 1185.1(f)(3) and 1185.2(c) of the Commission’s regulations require that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.²⁰

Claims

The following chart provides a brief summary of the claims and issues raised and staff’s recommendation.

Issue	Description	Staff Recommendation
Reductions based on insufficient documentation to support the number of initial truancy notifications issued.	The parameters and guidelines do not state what type of documentation is required, and accordingly the claimant argues that the parameters and guidelines require only documentation that shows the number of initial truancy notifications issued. However, the parameters and guidelines also require documentation to support the reimbursement claimed.	<i>Correct</i> – The parameters and guidelines require documentation to support the reimbursement claimed; therefore at least some documentation is required to support the validity of the notifications issued. Here, the claimant provided attendance records, and those records did not support the number of notifications claimed.
Reductions based on initial truancy notifications issued for pupils not subject to the compulsory	Section 48260 defines a truant as a pupil subject to compulsory education who is absent or tardy on three or more occasions within one school year. Section 48200 provides that only pupils between the ages of 6 and 18 are subject to compulsory full-time education.	<i>Correct</i> – Pupils under age 6 and over age 18 are not subject to compulsory full-time education, and therefore cannot be, by definition, truant. Therefore, an initial notification of truancy issued for such a pupil is not within

¹⁸ *Johnston v. Sonoma County Agricultural Preservation and Open Space District* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

¹⁹ *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

²⁰ Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission’s decision is not supported by substantial evidence in the record.

<p>education provisions of the Education Code.</p>	<p>The Controller reduced costs claimed for initial notifications of truancy for pupils under age 6 and over age 18, because the Controller determined that such pupils could not be, by definition, truant.</p>	<p>the scope of the mandated program. This reduction is correct as a matter of law.</p>
<p>Reductions based on initial truancy notifications for which the Controller concluded that pupils had not accumulated the required number of unexcused absences to be classified as a truant under the mandate program.</p>	<p>The parameters and guidelines in effect from July 22, 1993 until July 1, 2006 require schools to issue notification to a parent or guardian upon a pupil's initial classification as truant, as defined in Education Code section 48260. The notice, pursuant to section 48260.5, was required, during the audit period, to include notice that the pupil is a truant; that the parent or guardian is obligated to compel the pupil's attendance; that parents or guardians who fail to do so may be guilty of an infraction and subject to prosecution; that alternative educational programs are available in the district; and that the parent or guardian has the right to meet with school personnel to discuss the pupil's truancy.</p> <p>The Controller reduced costs claimed for initial notifications of truancy based on the definition of a truant referenced in the parameters and guidelines under "Summary of Mandate." However, pursuant to amendments effected by Statutes 1994, chapter 1023 and Statutes 1995, chapter 19, this reference to the definition in the parameters and guidelines was no longer consistent with the Education Code during the audit period.</p>	<p><i>Partially correct-</i> To the extent reductions were made based on initial truancy notifications for pupils with fewer than three unexcused absences, those reductions are correct as a matter of law since, at the time costs were incurred, Education Code section 48260 defined a truant as a pupil who accumulates three or more unexcused absences or tardies in excess of 30 minutes. However, reductions for notices for pupils with three or more absences are incorrect as a matter of law. Though the definition in Education Code section 48260 changed between the adoption of the test claim decision and the fiscal years in question here, the mandated program under section 48260.5, as added in 1983, did not change. Section 48260 is merely definitional and describes the triggering event for performance of the mandated activities. Here, though the auditor was reasonably confused by the inclusion of the former definition under the summary of the mandate in parameters and guidelines, section 48260 was never approved as imposing any activity and a reduction based on a provision of former law that</p>

		is no longer applicable and did not impose the mandate is incorrect as a matter of law.
Reductions based on an extrapolation of an unsupported finding of a single instance of insufficient documentation within the Controller's sample.	The Controller reduced costs claimed for initial notifications of truancy based on one instance within the Controller's sample of a notification that the Controller found was not supported by sufficient documentation. However, neither the audit report nor the IRC narrative provides any more specific information on the nature of the insufficient documentation.	<i>Incorrect</i> – There is no evidence in the record to explain the nature of the insufficiency in documentation, and no evidence that the insufficiency is of a type that is repeated elsewhere in the population of notifications claimed. Therefore, this reduction and the inclusion of this reduction within the error rate extrapolated to the whole population is entirely lacking in evidentiary support.
Reductions made by extrapolation of statistical sampling.	The Controller reduced costs in the subject audits by sampling a small number of initial notifications sent to parents or guardians and determining whether those notifications were sent in accordance with the parameters and guidelines (i.e., sent upon the fourth occurrence of an unexcused absence or unexcused tardiness). Based upon the number of notifications that the Controller determined were sent earlier than required under the former definition of truancy, the Controller calculated an error rate and applied that rate to all remaining notifications during the audit period, reducing costs claimed accordingly.	<i>Partially correct</i> – As discussed above, reductions for notices for pupils with three or more unexcused absences or tardies are incorrect as a matter of law; that conclusion extends to reductions based on an extrapolation of those incorrect reductions. However, with regard to the notices for which costs were correctly reduced, there is no law or regulation on point that proscribes the Controller's statistical sampling and extrapolation methodology as an auditing method. Based on the minimal unit cost applied to each transaction (i.e., each notification issued), auditing by sampling and extrapolation is a practical and reasonable audit decision, and denying that tool would impose an unreasonable burden on the Controller to

		<p>review every notice sent. Therefore, extrapolation based on the sampled notices that were correctly reduced only, is not arbitrary, capricious or entirely lacking in evidentiary support. In addition, staff finds that this sampling and extrapolation method does not constitute an underground regulation since there is no evidence that it has been applied generally; nor is it inconsistent with claimant's right to reimbursement for all state-mandated costs incurred, because of the high confidence level.</p>
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Staff Analysis

A. The Controller's Reductions in Finding 1 on the Basis of Insufficient Documentation Are Correct as a Matter of Law, and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

The Controller reduced costs claimed for fiscal years 2003-2004 and 2004-2005 totaling \$799, based on its determination that "attendance records did not support the number of initial truancy notifications claimed." The claimant argues that the parameters and guidelines "do not require claimants to maintain a copy of each notification..." and "do not require attendance records to support the number of notifications distributed."²¹ The claimant reasons that "[t]he truanies were recorded and the notices were distributed, therefore, actual costs were incurred, and the Controller does not state that the work was not performed."²²

As amended July 22, 1993, the parameters and guidelines state: "For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute..." Claimants requesting reimbursement under the "uniform allowance" are required to retain: "Documentation which *indicates the total number* of initial notifications of truancy distributed."²³ But in addition, all claimants are required to "provide *documentation in support of the reimbursement claimed* for this mandated program," and the parameters and guidelines do not limit the type of supporting documentation required.

²¹ Exhibit A, IRC 10-904133-I-10, pages 10-11.

²² Exhibit A, IRC 10-904133-I-10, page 12.

²³ Exhibit A, IRC 10-904133-I-10, pages 45-48.

The Controller interprets the parameters and guidelines to require a claimant to retain attendance records that demonstrate that each and every one of the initial truancy notifications distributed was distributed upon the pupil's initial classification as a truant, and not before. The claimant asserts that it is required only to identify the number of initial notifications of truancy that are issued. It is not clear that attendance records are the *only* documentation that would suffice under the parameters and guidelines, but there is no evidence in the record that any documentation at all was provided for the 57 notifications in issue.

Based on the foregoing, staff finds that the Controller's reduction of costs for a total of 57 initial truancy notifications for fiscal years 2003-2004 and 2004-2005, based on a lack of attendance records to support the notifications, is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

B. The Controller's Reductions in Finding 2 on the Basis of Notifications Issued for Pupils Who Were Not Subject to Compulsory Education Requirements of the Education Code Are Correct as a Matter of Law.

The Controller found 63 unallowable notifications within the audit sample that were issued to pupils under age six or over age eighteen who were not subject to the compulsory education requirements of the Education Code or the *Notification of Truancy* mandate.²⁴ The claimant asserts that notifications of truancy issued for students under age six or over age eighteen should be reimbursable because the Education Code provides that those students are statutorily entitled to attend school.²⁵ The claimant further contends that school districts are required by Education Code section 46000 to record, keep attendance, and report absences of all pupils in accordance with California State Board of Education regulations.²⁶

The claimant is correct that school districts are required to provide free public school to pupils under six and over 18, but the truancy laws apply *only* to those pupils who are subject to compulsory full-time education. Education Code section 48260(a) defines a truant as a pupil subject to compulsory full-time education who is absent or tardy three days in one school year.²⁷ "Compulsory full-time education" is defined in Education Code section 48200 as including "each person between the ages of six and eighteen years."²⁸ Therefore, even though schools are required by state law to report the attendance of all enrolled pupils, the truancy laws, including the first notice of initial truancy required by this mandated program, apply only to pupils between the ages of six and eighteen.

Therefore, staff finds that the Controller's reduction of costs for truancy notices provided to students younger than six and older than eighteen, who are not subject to compulsory full-time education, is correct as a matter of law.

²⁴ Exhibit A, IRC 10-904133-I-10, page 20.

²⁵ Exhibit A, IRC 10-904133-I-10, pages 20-22.

²⁶ Exhibit A, IRC 10-904133-I-10, pages 22-25.

²⁷ Education Code section 48260 (as amended, Stats. 1994, ch. 1023; Stats. 1995, ch. 19).

²⁸ Education Code section 48200 (Stats. 1987, ch. 1452).

C. The Controller’s Reductions in Finding 2 Based on the Former Definition of Truant Are Inconsistent with the Education Code, and Are Incorrect as a Matter of Law.

The Controller identified 58 notifications within the sample issued for pupils who accumulated fewer than four absences.²⁹ Based on the analysis herein, staff finds that the Controller’s disallowance of notifications issued for pupils who accumulated three but not four or more absences is incorrect as a matter of law because it relies on the former definition of a truant.

As enacted in 1976, and as analyzed by the Board of Control in its November 29, 1984 decision, Education Code section 48260 stated that a pupil who is absent or tardy from school without valid excuse for *more than three days* in one school year is a truant.³⁰ Accordingly, the parameters and guidelines as originally adopted, and as amended July 22, 1993, included the then-current definition of a “truant” under Section I., Summary of Mandate:

A truancy occurs when a student is absent from school without valid excuse *more than three* (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code Section 48260).³¹

Subsequent to the adoption and 1993 amendment of parameters and guidelines for this program, section 48260, defining truancy, was amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102) to lower the threshold for classifying a pupil as a truant, as follows:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse *three full days* in one school year or *tardy or absent* for more than any 30-minute period during the schoolday without a valid excuse *on three occasions* in one school year, *or any combination thereof*, is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.^{32,33}

Section 48260 is definitional and was never found to impose any mandated activities on school districts in the Board of Control’s decision, or in the adoption of parameters and guidelines. Accordingly, the section 48260 definition of truancy was not included as a reimbursable activity under the “Reimbursable Costs” section of the parameters and guidelines, but rather in the Summary of Mandate section, as noted above. Moreover, the unit cost for sending notices was

²⁹ Exhibit A, IRC 10-904133-I-10, page 20.

³⁰ Education Code section 48260 (Stats. 1976, ch. 1010) [Emphasis added].

³¹ Exhibit X, Parameters and Guidelines, amended July 22, 1993.

³² Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)) [Emphasis added].

³³ The 1994 statute also changed the content of the notice required by the test claim statute to require school districts to also notify the pupil’s parent or guardian that the pupil may be subject to prosecution; or may be subject to suspension or restriction of driving privileges; and that “it is recommended that the parent or guardian accompany the pupil to school...for one day.” (Ed. Code § 48260.5 (as amended, Stats. 1994, ch. 1023 (SB 1728)).)

not increased when the parameters and guidelines were eventually amended to reflect the changes made by the 1994 and 1995 statutes, on January 31, 2008, pursuant to legislative direction enacted in Statutes 2007, chapter 69.³⁴

The Controller's auditors in this case relied on the outdated definition of truancy included in the "Summary of Mandate" section of the 1993 parameters and guidelines (*i.e., more than three* absences or instances of tardiness). The Controller correctly asserts that "[t]he parameters and guidelines as adopted on July 22, 1993, are the applicable audit criteria for the purposes of this audit."³⁵ And here, the parameters and guidelines, which "helpfully" included the text of a definition (which was *not* the subject of the mandate finding) in the Summary of Mandate, rather than citing to the code section where the definition could be found, were understandably a source of confusion for the auditors.

However, staff finds that because the amendment to section 48260 affected only the definition of truancy, and not the mandated program, neither a new test claim nor parameters and guidelines amendment was necessary for the districts to continue to be reimbursed for complying with the approved mandate imposed by section 48260.5: "upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian..."

Based on the foregoing, staff finds that to the extent the Controller disallowed costs for notifications issued to pupils who accumulated three but not four absences or instances of tardiness, those reductions are incorrect as a matter of law. All costs reduced on this basis should be reinstated to the claimant.

D. The Controller's Reductions in Finding 2 for Notifications Claimed for Pupils with Fewer Than Three Absences or Tardy Occurrences Are Correct as a Matter of Law, and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

The Controller stated that a small portion of the notifications claimed were issued for students who did not accumulate even *three* absences or instances of tardiness.³⁶ In those cases, the pupils at issue did not meet the definition of a truant under the Education Code, and the claimant's issuance of a notification was not mandated by the state.

As discussed above, Education Code section 48260, during the fiscal years here at issue, defined a "truant" as "any pupil subject to compulsory full-time education or to compulsory continuation

³⁴ Statutes 2007, chapter 69 (AB 1698) states:

Notwithstanding any other provision of law, by January 31, 2008, the Commission on State Mandates shall amend the parameters and guidelines regarding the notification of truancy, test claim number SB-90-4133, and modify the definition of a truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Chapter 1023 of the Statutes of 1994 and Chapter 19 of the Statutes of 1995...Changes made by the commission to the parameters and guidelines shall be deemed effective on July 1, 2006.

³⁵ Exhibit C, Controller's Comments on the IRC, page 11.

³⁶ Exhibit A, IRC 10-904133-I-10, page 67.

education who is absent from school without valid excuse *three full days* in one school year or tardy or absent for more than any 30-minute period during the schoolday without a valid excuse *on three occasions* in one school year, or any combination thereof....”³⁷

The mandated program as approved by the Board of Control, and as articulated in the parameters and guidelines, is to issue a notification of truancy to a pupil’s parent or guardian *upon the pupil’s initial classification as a truant*. If a pupil cannot be classified as a truant, as defined in section 48260, a notification is not required, and any notification sent to that pupil’s parent or guardian, whether or not intentional, is not reimbursable.

Based on the foregoing, staff finds that reductions based on pupils who did not accumulate three absences or instances of tardiness during the school year are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

E. Reductions in Finding 2 Based on a Single Instance of Insufficient Documentation Within the Controller’s Sample Are Entirely Lacking in Evidentiary Support.

The claimant identifies in its IRC a single instance within the sample of notifications analyzed which the Controller found was not supported by documentation.³⁸ No particular basis for the reduction is specified in the audit report or the IRC narrative and it is unclear whether the lack or insufficiency of documentation pertains to the number of absences that that pupil accumulated, or the pupil’s age, or whether the notification itself was issued as reported. Because the Commission is unable to make findings on this single instance of “insufficient documentation,” because of a lack of evidence in the record, this disallowance must be remanded to the Controller and reinstated absent an adequate explanation of the reduction supported by some evidence in the record. Moreover, this single instance of insufficient documentation was extrapolated to determine a reduction applicable to the whole population. Absent some findings or evidence that this documentation issue is of a type likely to be uniformly repeated within the population, the Controller’s decision to extrapolate an error rate from this single instance of insufficient documentation is entirely lacking in evidentiary support.

F. The Controller’s Reductions Based on Statistical Sampling and Extrapolation of Correct Reductions Are Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

In its audit of 2003-2004, 2004-2005, and 2005-2006 reimbursement claims, the Controller examined a random sample of initial truancy notices distributed by the claimant for each year to determine the proportion of notifications that were unallowable for the Controller’s asserted legal reasons and then extrapolated the results out to all of the notices for which reimbursement was claimed. The claimant and the Controller fundamentally disagree on whether statistical sampling is an appropriate methodology to estimate a reduction of costs claimed for mandate reimbursement.

³⁷ Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)) [emphasis added].

³⁸ Exhibit A, IRC 10-904133-I-10, pages 20-21.

Based on the analysis herein, staff finds that the reductions in this case, determined based on the sampling method used and lack of any evidence to the contrary, are not arbitrary, capricious, or entirely lacking in evidentiary support.

1. There is no evidence to support claimant’s argument that the statistical sampling and extrapolation method constitutes an underground regulation.

The claimant challenges the statistical sampling and extrapolation methodology used by the Controller as an underground regulation not adopted pursuant to the APA, and argues that any findings and cost reductions extrapolated from the sample reviewed by the Controller should therefore be void. Government Code section 11340.5 provides, no state agency shall enforce or attempt to enforce a rule or criterion which is a regulation, as defined in section 11342.600, unless it has been adopted pursuant to the APA.³⁹ Therefore, if the Controller’s challenged audit methods constitute a regulation not adopted pursuant to the APA, the Commission cannot uphold the reductions. Interpreting section 11342.600, the California Supreme Court in *Tidewater Marine Western v. Bradshaw* found that a regulation has two principal characteristics:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule must “implement, interpret, or make specific the law enforced or administered by [the agency], or ... govern [the agency's] procedure.”⁴⁰

The necessary inquiry, then, is whether the challenged audit policy or practice is applied “generally,” and used to decide a class of cases; and whether the rule “implement[s], interpret[s], or make[s] specific” the law administered by the Controller.

Here, there is not substantial evidence in the record that the audit methodology as applied in this case rises to the level of a rule of general application, and no clear “class of cases” to which it applies has been defined. In *Tidewater*, the Court held that a “rule need not, however, apply universally; a rule applies generally so long as it declares how a certain class of cases will be decided.”⁴¹ And in *Clovis Unified*, the court in discussing the contemporaneous source document rule (CSDR) explained that in the context of the Controller’s audits of mandate reimbursement claims:

As to the first criterion—whether the rule is intended to apply generally—substantial evidence supports the trial court's finding that the CSDR was “applied generally to the auditing of reimbursement claims ...; the Controller's auditors ha[d] no discretion to judge on a case[-]by[-]case basis whether to apply the rule.”⁴²

³⁹ Government Code section 11340.5 (Stats. 2000, ch. 1060).

⁴⁰ *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571 (emphasis added) [Citing *Roth v. Department of Veteran Affairs* (1980) 110 Cal.App.3d 622, 630; Gov. Code § 11342(g)].

⁴¹ *Tidewater*, *supra*, 14 Cal.4th 557, 571.

⁴² *Clovis Unified School District v. Chiang*, 188 Cal.App.4th 794, 803.

Here, the sampling and extrapolation method is not published in the claiming instructions for this mandate; nor is it alleged that auditors were *required* to utilize such methods. Therefore, based on the case law discussed above, and the evidence in the record, the Commission finds that the Controller's sampling and extrapolation method, as applied in this case, is not a regulation within the meaning of the APA.

2. The Controller's audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The claimant argues that there is no statutory or regulatory authority for the Controller to reduce claimed costs based on extrapolation from a statistical sample. The Controller counters that the law does not prohibit the audit methods used by the Controller. The Controller relies on Government Code section 12410, which requires the Controller to audit all claims against the state and "may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."⁴³ The Controller also relies on Government Code section 17561, which permits the Controller to reduce any claim that is determined to be excessive or unreasonable: "The SCO conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs."⁴⁴

The Controller correctly states that there is no express prohibition in law or regulation of statistical sampling and extrapolation methods being used in an audit. Accordingly, the Controller cites to "Government Auditing Standards, as issued by the Comptroller General of the United States," to argue that it properly conducted the audit. "These audit standards," the Controller asserts, "specify that auditors may use professional judgment in 'selecting the methodology, determining the type and amount of evidence to be gathered, and choosing the tests and procedures for their work.'"⁴⁵ While the standards cited do not provide *expressly* for statistical sampling and extrapolation to be applied to mandate reimbursement, they do provide for statistical methods to be used to establish the sufficiency, or validity of evidence.⁴⁶ The Controller also cites the "Handbook of Sampling for Auditing and Accounting," by Herbert Arkin, for the proposition that a sampling methodology to determine the frequency of errors in the population (i.e., notifications that were not reimbursable for an asserted legal reason) is a widely used approach to auditing.⁴⁷

In accordance with the Controller's audit authority and duties under the Government Code, it is not the Commission's purview to direct the Controller to employ a specific audit method, including when the audit pertains to the application of a unit cost, as here. The Commission's

⁴³ Government Code section 12410 (Stats. 1968, ch. 449).

⁴⁴ Exhibit C, Controller's Comments, page 20 [emphasis in original].

⁴⁵ Exhibit C, Controller's Comments, page 17.

⁴⁶ Exhibit X, Excerpt from Government Auditing Standards, 2003, page 13.

⁴⁷ Exhibit B, Controller's Comments, page 19.

consideration is limited to whether the Controller's audit decisions are arbitrary, capricious, or entirely lacking in evidentiary support.⁴⁸

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,⁴⁹ staff finds that the Controller's auditing methods (to the extent that they do not impose an underground regulation) must be upheld absent evidence that the resulting audit reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

3. There is no evidence in the record that the Controller's findings using the sampling and extrapolation methodology are not representative of all notices claimed during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

In addition to challenging the legal sufficiency of the Controller's sampling and extrapolation methodology, the claimant also challenges the qualitative and quantitative reliability and fairness of using statistical sampling and extrapolation to evaluate reimbursement. The claimant states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because less than two percent of the total number of notices were audited, the stated precision rate was plus or minus eight percent even though the sample size (ranging from 147 to 148) is essentially identical for all three fiscal years, and the audited number of notices claimed for fiscal year 2004-2005 (19,101) is twenty-two percent larger than the number of notices claimed for fiscal year 2005-2006 (15,645). The claimant concludes by stating that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$98,866 [for the three fiscal years in which notifications were disallowed] is really just a number exactly between \$49,433 (50%) and \$148,299 (150%)" and that "[t]he midrange of an interval cannot be used as a finding of absolute actual cost."⁵⁰

The Controller states that "the fact that a particular student's initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population."⁵¹ The Controller further argues that the absolute size of the sample, not the relative size, is more important under "basic statistical sampling principles." The Controller explains that an "expected error rate" in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the result.

Moreover, there is no evidence in the record that the results are biased or unrepresentative "because a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age," as asserted by claimant. There is no dispute that the samples were randomly obtained and reviewed by the Controller. According to the *Handbook of Sampling for*

⁴⁸ *American Bd. of Cosmetic Surgery, Inc, supra*, 162 Cal.App.4th 534, 547-548.

⁴⁹ Government Code section 12410 (Stats. 1968, ch. 449).

⁵⁰ Exhibit A, IRC 10-904133-I-10, page 19.

⁵¹ Exhibit C, Controller's Comments, page 18.

Auditing and Accounting (Arkin), all notices randomly sampled have an equal opportunity for inclusion in the sample and, thus, the result is statistically objective and unbiased.⁵² Moreover, absent evidence to the contrary, the Commission and the Controller must presume that the schools within the claimant's district complied with the mandate in the same way.

Based on the analysis above, the Commission finds that the Controller's reduction of costs, based on the statistical sampling method as applied in this case, is not arbitrary, capricious, or entirely lacking in evidentiary support.

Conclusion

Staff recommends that the Commission partially approve this IRC. Staff finds that the following reductions are correct as a matter of law and are not arbitrary, capricious, or entirely lacking in evidentiary support:

- Reductions in Finding 1 based on the ground that the claimant provided no documentation to support the number of notifications distributed.
- Reductions in Finding 2 based on notifications issued for pupils under age six or over age eighteen.
- Reductions in Finding 2 for notifications issued for pupils who accumulated *fewer than three* unexcused absences or instances of tardiness.
- The Controller's sampling and extrapolation methodology to calculate the reductions is not arbitrary, capricious, or entirely lacking in evidentiary support, to the extent that the underlying reasons for reduction are valid.

The following reductions, including any extrapolation of these reductions to costs claimed by the district, however, are incorrect as a matter of law, and are arbitrary, capricious, or entirely lacking in evidentiary support:

- Reductions in Finding 2 based on notifications issued for pupils who accumulated *three but not four* unexcused absences or instances of tardiness.
- Reductions based on one notification in Finding 2 for which the Controller found an unspecified lack of sufficient documentation.

Staff Recommendation

Staff recommends that the Commission adopt the proposed decision to partially approve the IRC, and, pursuant to Government Code section 17551(d) and section 1185.9 of the Commission's regulations, to request that the Controller recalculate its reductions and reinstate costs consistently with this analysis. Staff further recommends that the Commission authorize staff to make any technical, non-substantive changes following the hearing.

⁵² Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 9.

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

IN RE INCORRECT REDUCTION CLAIM
ON:

Education Code Section and 48260.5

Statutes 1983, Chapter 498

Fiscal Years 2003-2004, 2004-2005, 2005-
2006, and 2006-2007

Riverside Unified School District, Claimant

Case No.: 10-904133-I-10 and
13-904133-I-12

Notification of Truancy

DECISION PURSUANT TO
GOVERNMENT CODE SECTION 17500 ET
SEQ.; CALIFORNIA CODE OF
REGULATIONS, TITLE 2, DIVISION 2,
CHAPTER 2.5. ARTICLE 7

(Adopted December 3, 2015)

DECISION

The Commission on State Mandates (Commission) heard and decided this consolidated incorrect reduction claim (IRC) during a regularly scheduled hearing on December 3, 2015. [Witness list will be included in the adopted decision.]

The law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., and related case law.

The Commission [adopted/modified] the proposed decision to [approve/partially approve/deny] this IRC at the hearing by a vote of [vote count will be included in the adopted decision].

Summary of the Findings

This IRC addresses reductions made by the State Controller's Office (Controller) to reimbursement claims filed by Riverside Unified School District (claimant) for fiscal years 2003-2004 through 2006-2007, for the *Notification of Truancy* program.

Pursuant to Government Code section 17551(d), the Commission partially approves this IRC. The Commission finds that the following reductions are correct as a matter of law and are not arbitrary, capricious, or entirely lacking in evidentiary support:

- Reductions in Finding 1 based on the ground that the claimant provided no documentation to support the number of notifications distributed.
- Reductions in Finding 2 based on notifications issued for pupils under age six or over age eighteen.
- Reductions in Finding 2 for notifications issued for pupils who accumulated *fewer than three* unexcused absences or instances of tardiness.

- The Controller’s sampling and extrapolation methodology to calculate the reductions is not arbitrary, capricious, or entirely lacking in evidentiary support, to the extent that the underlying reasons for reduction are valid.

The following reductions, including any extrapolation of these reductions to costs claimed by the district, however, are incorrect as a matter of law, and are arbitrary, capricious, or entirely lacking in evidentiary support:

- Reductions in Finding 2 based on notifications issued for pupils who accumulated *three but not four* unexcused absences or instances of tardiness.
- Reductions based on one notification in Finding 2 for which the Controller found a lack of sufficient documentation.

Pursuant to Government Code section 1185.9 of the Commission’s regulations, the Commission requests costs incorrectly reduced be reinstated by the Controller in accordance with this decision.

COMMISSION FINDINGS

I. Chronology

- | | |
|------------|--|
| 02/05/2010 | Controller issued the final audit report. ⁵³ |
| 11/01/2010 | The claimant filed IRC 10-904133-I-10. ⁵⁴ |
| 08/24/2012 | The Controller issued a revised final audit report. ⁵⁵ |
| 11/13/2015 | Claimant filed a revised IRC, 13-904133-I-12. ⁵⁶ |
| 10/03/2014 | The Controller filed comments on the IRCs. ⁵⁷ |
| 09/21/2015 | Commission staff issued the draft proposed decision. ⁵⁸ |

II. Background

The Notification of Truancy Program

Under California’s compulsory education laws, children between the ages of six and 18 are required to attend school full-time, with a limited number of specified exceptions.⁵⁹ Once a pupil is designated a truant, as defined, state law requires schools, districts, counties, and the

⁵³ Exhibit A, IRC 10-904133-I-10, page 59.

⁵⁴ Exhibit A, IRC 10-904133-I-10, page 1.

⁵⁵ Exhibit B, IRC 13-904133-I-12, page 14.

⁵⁶ Exhibit B, IRC 13-904133-I-12, page 1.

⁵⁷ Exhibit C, Controller’s Comments.

⁵⁸ Exhibit D, Draft Proposed Decision.

⁵⁹ Education Code section 48200.

courts to take progressive intervention measures to ensure that parents and pupils receive services to assist them in complying with the compulsory attendance laws.

The first intervention is required by Education Code section 48260.5, as added by the test claim statute.⁶⁰ As originally enacted, section 48260.5 specified:

- (a) Upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian, by first-class mail or other reasonable means, of the following:
 - (1) That the pupil is truant.
 - (2) That the parent or guardian is obligated to compel the attendance of the pupil at school.
 - (3) That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
- (b) The district also shall inform parents or guardians of the following:
 - (1) Alternative educational programs available in the district.
 - (2) The right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

On November 29, 1984, the Board of Control determined that Education Code section 48260.5, as added by Statutes 1983, chapter 498, imposed a reimbursable state-mandated program to develop notification forms and provide written notice to the parents or guardians of the truancy. The decision was summarized as follows:

The Board determined that the statute imposes costs by requiring school districts to develop a notification form, and provide written notice to the parents or guardians of students identified as truants of this fact. It requires that notification contain other specified information and, also, to advise the parent or guardian of their right to meet with school personnel regarding the truant pupil. The Board found these requirements to be new and not previously required of the claimant.⁶¹

The original parameters and guidelines were adopted on August 27, 1987, and authorized reimbursement for the one-time activities of planning implementation, revising school district policies and procedures, and designing and printing the notification forms. Reimbursement was also authorized for ongoing activities to identify pupils to receive the initial notification and prepare and distribute the notification by first class mail or other reasonable means.

The Commission amended the parameters and guidelines on July 22, 1993, effective for reimbursement claims filed beginning in fiscal year 1992-1993, to add a unit cost of \$10.21, adjusted annually by the Implicit Price Deflator, for each initial notification of truancy

⁶⁰ Education Code section 48260.5, Statutes 1983, chapter 498.

⁶¹ Exhibit X, Brief Written Statement for Adopted Mandate issued by the Board of Control on the *Notification of Truancy* test claim (SB 90-4133).

distributed in lieu of requiring the claimant to provide documentation of actual costs to the Controller. The parameters and guidelines further provide that “school districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement.”⁶² These are the parameters and guidelines applicable to this claim.⁶³

The Legislature enacted Statutes 2007, chapter 69, effective January 1, 2008, which was sponsored by the Controller’s Office to require the Commission to amend the parameters and guidelines, effective July 1, 2006, to modify the definition of a truant and the required elements to be included in the initial truancy notifications in accordance with Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.⁶⁴ These statutes required school districts to add the following information to the truancy notification: that the pupil may be subject to prosecution under Section 48264, that the pupil may be subject to suspension, restriction, or delay of the pupil’s driving privilege pursuant to Section 13202.7 of the Vehicle Code, and that it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. The definition of truant was also changed from a pupil absent for “more than three days” to a pupil absent for “three days.” In 2008, the Commission amended the parameters and guidelines, for costs incurred beginning July 1, 2006, as directed by the Legislature.

The Controller’s Audit and Summary of the Issues

The February 5, 2010 audit report determined that \$659,793 in claimed costs was allowable and \$326,088 was unallowable.⁶⁵

In Finding 1, the Controller found 57 truancy notifications issued in fiscal years 2003-2004 and 2004-2005 that were not supported by attendance records, resulting in a reduction of \$799.⁶⁶

In Finding 2, the Controller projected, based on statistical sampling and extrapolation methods, that 6,853 unallowable truancy notifications were issued during the audit period, resulting in a reduction of \$104,103.⁶⁷ The Controller found that the unallowable notifications were not reimbursable either because pupils were under 6 or over 18, and thus not subject to compulsory education under state law and not by definition a truant; or, because pupils did not accumulate the required number of absences to be classified a truant under the mandated program.⁶⁸ The Controller also found that one notice was not supported by sufficient documentation showing that the pupil had the required number of absences to be classified as a truant.⁶⁹ The Controller

⁶² Exhibit X, Parameters and Guidelines, amended July 22, 1993.

⁶³ The parameters and guidelines as amended in 2008 are not applicable to this IRC.

⁶⁴ Exhibit X, Controller’s Letter dated July 17, 2007 on AB 1698.

⁶⁵ Exhibit A, IRC 10-904133-I-10, page 51.

⁶⁶ Exhibit A, IRC 10-904133-I-10, page 66.

⁶⁷ Exhibit A, IRC 10-904133-I-10, page 68.

⁶⁸ Exhibit A, IRC 10-904133-I-10, page 67.

⁶⁹ Exhibit A, IRC 10-904133-I-10, page 20.

calculated the dollar amount reduced by sampling approximately 300 initial truancy notifications for each audit year, out of approximately 15,600 to 19,100 claimed, and determining the rate at which the district issued initial truancy notifications for pupils who did not accumulate four or more absences during the school year, or issued notifications for pupils under age six or over age 18. The Controller found error rates, based on its sampling, of 24.32 to 27.03 percent for elementary schools, and 1.35 to 2.04 percent for middle and high schools.⁷⁰ Those error rates were applied to the whole number of notifications claimed for the respective grade levels for each fiscal year, in order to project a total number of unallowable notifications for each fiscal year. In addition, the Controller found that the claimant's attendance records supported 454 more initial truancy notifications than were claimed for two elementary schools within the district for fiscal year 2005-2006.⁷¹ The Controller applied the 25.85 percent error rate calculated for fiscal year 2005-2006 for elementary schools, and found that 337 of 454 unclaimed notifications were allowable, resulting in a net increase of \$5,237.⁷² All this resulted in a net reduction of \$98,866 for the audit period.⁷³

Other reductions were made in Finding 3, for fiscal year 2006-2007 only, which the claimant disputed. In the revised audit, the Controller pro-rated reimbursement for previously disallowed truancy notifications and the claimant states in its second IRC that the pro-rated reduction "is satisfactory to the District," and withdraws the dispute with respect to Finding 3.⁷⁴ This decision, therefore, does not address the issues raised in Finding 3.

III. Positions of the Parties

Riverside Unified School District

The claimant argues, with respect to the 57 notifications disallowed in Finding 1 because they were not supported by attendance records, that "[t]he audit report does not indicate in what factual or legal manner the District documentation was insufficient, so it is not possible to determine if the adjustment is inappropriate."⁷⁵ The claimant argues that it has complied with the parameters and guidelines for claiming the number of initial notifications of truancy, and the audit does not articulate "why the source documentation was deficient."⁷⁶ The claimant points out that the parameters and guidelines "do not specify the form of supporting documentation required..." and "do not require claimants to maintain a copy of each notification."⁷⁷

⁷⁰ Exhibit A, IRC 10-904133-I-10, page 68.

⁷¹ Exhibit A, IRC 10-904133-I-10, page 67.

⁷² Exhibit A, IRC 10-904133-I-10, page 68.

⁷³ Exhibit A, IRC 10-904133-I-10, pages 67-69.

⁷⁴ Exhibit B, IRC 13-904133-I-12, page 9.

⁷⁵ Exhibit A, IRC 10-904133-I-10, page 10.

⁷⁶ Exhibit A, IRC 10-904133-I-10, page 11.

⁷⁷ Exhibit A, IRC 10-904133-I-10, page 11. See also, Exhibit A, pages 47-48.

With respect to the 454 understated notifications for Harrison and Hawthorne Elementary Schools, the claimant argues that those notifications “should be included in Finding 1 to increase the number of claimable notifications before the extrapolation of the statistical sampling findings, similar to how the FY 2003-04 and FY 2004-05 reductions have been treated.”⁷⁸

The audit disallowed 122 of the 886 notifications evaluated for fiscal years 2003-2004 through 2005-2006, based on insufficient documentation (1 notification); pupils under- or over-age and not subject to compulsory education (63); and pupils with fewer than 4 absences (58).⁷⁹ With respect to the one notification disallowed on documentation grounds, the claimant refers to the above discussion of documentation standards required by the parameters and guidelines.⁸⁰ Regarding the 63 notifications disallowed because pupils were under- or over-age and not subject to compulsory education, the claimant argues that even though the Education Code does not compel children under 6 or over 18 to attend school, persons under 6 are statutorily entitled to attend kindergarten, and special education students are statutorily entitled to services from age 3 to 22, and the notification of truancy “is a product of the attendance accounting process and promotes compliance of the compulsory education law and every pupil’s duty to attend school regularly...”⁸¹ Finally, with respect to the 57 notifications in the audit sample disallowed because the pupils accumulated fewer than four absences, the claimant acknowledges that the “original parameters and guidelines were based on this definition of a truant, that is, a pupil with more than three unexcused absences or tardy for more than three periods.”⁸² However, the claimant notes that Education Code section 48260 was amended to require only *three* absences or instances of tardiness prior to the fiscal years subject to this audit, and that therefore the claimant “properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the parameters and guidelines.”⁸³

With respect to the reduction for non-reimbursable truancy notifications in Finding 2, the claimant first notes that “this finding is based on a statistical sample of 886 truancy notifications actually examined from a universe of 52,722 notices for the three fiscal years.” The claimant argues that whether the Controller can adjust mandate reimbursement based on statistical sampling “is a threshold issue in that if the methodology used is rejected, as it should be, the extrapolation is void and the audit findings can only pertain to documentation actually reviewed, that is, the 886 notifications examined for the criteria of whether there were a sufficient number of absences or tardies to justify the initial notification of truancy and the age of the student.”⁸⁴ Accordingly, the claimant argues that there is no legal basis or justification to apply statistical

⁷⁸ Exhibit A, IRC 10-904133-I-10, page 12.

⁷⁹ Exhibit A, IRC 10-904133-I-10, page 20.

⁸⁰ Exhibit A, IRC 10-904133-I-10, pages 20-21.

⁸¹ Exhibit A, IRC 10-904133-I-10, pages 21-25.

⁸² Exhibit A, IRC 10-904133-I-10, page 26.

⁸³ Exhibit A, IRC 10-904133-I-10, pages 26-28.

⁸⁴ Exhibit A, IRC 10-904133-I-10, page 13.

sampling to mandate reimbursement claims, and no published audit manual or program which allows this method. The claimant argues that adjusting claimed costs using extrapolation and sampling “is utilizing a standard of general application without the benefit of compliance with the Administrative Procedure Act...” and is therefore an underground regulation.⁸⁵

Moreover, the claimant argues that statistical sampling is misused and inappropriate because of the risk that extrapolated findings “may not be representative of the universe,” and because a sampling and extrapolation methodology cannot ascertain actual costs: “It ascertains probable costs within an interval.”⁸⁶ The claimant thus concludes that because the statistical sampling and extrapolation methodology “fails for legal, qualitative, and quantitative reasons, the remaining audit findings are limited to the 886 notices actually investigated.”⁸⁷

State Controller’s Office

Answering the claimant’s argument regarding Finding 1 that the audit does not explain what documentation of truancy notifications was “insufficient,” the Controller states:

We disagree; the findings clearly identifies [*sic*] the facts. The district claimed 17,943 and 19,134 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively. However, the district provided records that documented only 17,919 and 19,101 initial truancy notifications distributed for FY 2003-04 and FY 2004-05, respectively. Therefore, the district overstated the number of initial truancy notifications that its records support.⁸⁸

The Controller argues that the parameters and guidelines do require supporting documentation, stating: “Each claim...must be timely filed and provide documentation in support of the reimbursement claimed...” The Controller reasons that the claimant “provided documentation that supported fewer initial truancy notifications than the number claimed,” and therefore the reduction was correct.⁸⁹ Additionally, the Controller disputes the claimant’s position that attendance records are not required to support the notifications for which reimbursement is claimed; the Controller argues that supporting documentation is necessary, and “must show that the claimed costs are reimbursable in accordance with the parameters and guidelines.”⁹⁰ With respect to the single disallowance within the sample on the grounds of insufficient documentation, the Controller states, “[b]ecause the district provided attendance record documentation for 885 of the 886 sampled students, we believe that the district is well-versed on the documentation criterion.”⁹¹

⁸⁵ Exhibit A, IRC 10-904133-I-10, pages 13-16.

⁸⁶ Exhibit A, IRC 10-904133-I-10, page 19.

⁸⁷ Exhibit A, IRC 10-904133-I-10, page 20.

⁸⁸ Exhibit C, Controller’s Comments, page 10.

⁸⁹ Exhibit C, Controller’s Comments, page 11.

⁹⁰ Exhibit C, Controller’s Comments, page 12.

⁹¹ Exhibit C, Controller’s Comments, page 21.

With respect to the claimant's argument that the 454 unclaimed notifications should be included in the total number of claimed notifications before extrapolating the rate of disallowance, the Controller argues that the audit adjustment would be the same "whether the report accounts for the 454 unclaimed initial truancy notifications in Finding 2 alone or Findings 1 and 2 together." The Controller states that either calculation results in a net understatement of \$5,237.⁹²

Regarding disallowances based on under- or over-age students not subject to compulsory education, the Controller argues that the claimant "confuses students' statutory requirement to attend school between ages 6 and 18 with students' entitlement to attend outside of that age range." The Controller holds that absences occurring before a pupil's 6th birthday or after a pupil's 18th birthday "are irrelevant when determining whether a student is a truant."⁹³

And, with respect to disallowances based on an insufficient number of absences or instances of tardiness, the Controller maintains that the parameters and guidelines control whether initial notifications are reimbursable, notwithstanding the amendments to the Education Code (which were eventually incorporated into the parameters and guidelines). The Controller recognizes the distinction, saying:

We agree that Education Code section 48260.5 requires the district to issue an initial truancy notification upon a student's third unexcused absence or tardiness occurrence. We disagree that the parameters and guidelines require the district to "wait" for a fourth absence before issuing the notification...The district confuses the difference between its statutory responsibility versus mandate-related reimbursable costs identified by the parameters and guidelines.⁹⁴

With respect to the claimant's challenge to the Controller's sampling and extrapolation methodology used in Finding 2, the Controller argues that the Government Code and the Government Auditing Standards do not prohibit sampling,⁹⁵ and that the Controller "properly used estimation sampling to establish the frequency of occurrence of non-reimbursable initial truancy notifications."⁹⁶ With respect to the quantitative challenge as to the accuracy of sampling, the Controller argues that it applied a 95 percent confidence interval,⁹⁷ and that the absolute size of a sample, rather than its relative size, is sufficient to ensure accuracy.⁹⁸ The Controller also asserts that the claimant misconstrues the meaning of confidence intervals and expected error rates.⁹⁹ While the district argues that the adjustment amount "is really just a

⁹² Exhibit C, Controller's Comments, page 13.

⁹³ Exhibit C, Controller's Comments, page 22.

⁹⁴ Exhibit C, Controller's Comments, page 23.

⁹⁵ Exhibit C, Controller's Comments, pages 14-17.

⁹⁶ Exhibit C, Controller's Comments, page 17.

⁹⁷ Exhibit C, Controller's Comments, page 13.

⁹⁸ Exhibit C, Controller's Comments, page 20.

⁹⁹ The Controller explains that an "expected error rate" in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the

number exactly between \$49,433 (50%) and \$148,299 (50%)...” the Controller states that the range is in fact “\$63,807 to \$133,922.” And, the Controller states, “[w]hile a statistical sample evaluation identifies a range for the population’s true error rate, the point estimate provides the best, and thus *reasonable*, single estimate of the population’s true error rate.”¹⁰⁰

IV. Discussion

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to a local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission’s regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of the parameters and guidelines, *de novo*, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.¹⁰¹

result. In addition, the desired accuracy of the result, which might be called a “margin of error,” may be determined by the Controller before calculating the sample size. Therefore, the “margin of error” of the Controller’s resulting percentage is a known value. The Controller provides the following formula:

$$n = \frac{p(1-p)}{\left(\frac{SE}{t}\right)^2 + \left(\frac{p(1-p)}{N}\right)}$$

n = sample size

p = percent of occurrence in population (expected error rate)

SE = desired sample precision

t = confidence level factor

N = population size

The formula above, when applied with a 50 percent expected error rate and a desired eight percent margin of error, shows that an appropriate sample size is between 147 and 148 pupils for populations ranging from 7,562 notifications (elementary and special education pupils for fiscal year 2005-2006) to 9,706 notifications (middle and high school pupils for fiscal year 2004-2005). (Exhibit C, Controller’s Comments, page 20.)

¹⁰⁰ Exhibit C, Controller’s Comments, page 20 [emphasis in original]. See also, Exhibit A, IRC 10-904133-I-10, page 19 [The claimant mischaracterizes the phrase “expected error rate.”]

¹⁰¹ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

“overstated number of truancy notifications totaled 57.”¹⁰⁷ The Controller further asserts that “the program’s parameters and guidelines require the district to provide documentation that supports the total number of initial notifications of truancy distributed.”¹⁰⁸ The claimant argues that the audit report “does not describe the nature of the perceived documentation deficiency...” and “[t]he parameters and guidelines do not specify the form of supporting documentation required.” Indeed, the claimant argues that the parameters and guidelines “do not require claimants to maintain a copy of each notification...” and “do not require attendance records to support the number of notifications distributed.”¹⁰⁹ The claimant reasons that “[t]he truantries were recorded and the notices were distributed, therefore, actual costs were incurred, and the Controller does not state that the work was not performed.”¹¹⁰

The documentation requirements in the parameters and guidelines for this mandated program do not specifically require attendance records to support the costs claimed. However, the parameters and guidelines do require claimants to provide supporting documentation to indicate the number of truancy notifications distributed. As amended July 22, 1993, the parameters and guidelines state that claimants are to be reimbursed for: “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping.” In addition, the parameters and guidelines provide that when claiming under the uniform cost allowance (\$10.21 per notification, adjusted each year by the Implicit Price Deflator), claimants must “[r]eport the *number of initial notifications of truancy distributed* during the year.” And under “Supporting Data,” the parameters and guidelines state: “For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute...” Claimants requesting reimbursement under the “uniform allowance” are required to retain: “Documentation which *indicates the total number* of initial notifications of truancy distributed.”¹¹¹ In addition, all claimants are required to “provide *documentation in support of the reimbursement claimed* for this mandated program.” The parameters and guidelines do not specify the type of supporting documentation required.

The Controller interprets the parameters and guidelines to require a claimant to retain attendance records that demonstrate that each and every one of the initial truancy notifications distributed was distributed upon the pupil’s initial classification as a truant, and not before. It is not clear that attendance records are the only documentation that would suffice under the parameters and guidelines, but there is no evidence in the record that any documentation at all was provided for the 57 notifications in issue.

Based on the foregoing, the Commission finds that the Controller’s reduction in Finding 1 of the costs to issue a total of 57 initial truancy notifications for fiscal years 2003-2004 and 2004-2005,

¹⁰⁷ Exhibit A, IRC 10-904133-I-10, page 66.

¹⁰⁸ Exhibit A, IRC 10-904133-I-10, page 66.

¹⁰⁹ Exhibit A, IRC 10-904133-I-10, pages 10-11.

¹¹⁰ Exhibit A, IRC 10-904133-I-10, page 12.

¹¹¹ Exhibit A, IRC 10-904133-I-10, pages 45-48.

based on a lack of any documentation, is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

B. The Controller’s Reductions in Finding 2 on the Basis of Notifications Issued for Pupils Who Were Not Subject to Compulsory Education Requirements of the Education Code Are Correct as a Matter of Law.

The Controller found, in Finding 2 of the audit report, 63 notifications within the audit sample that were issued to pupils under age six or over age eighteen who were not subject to the compulsory education requirements of the Education Code or the *Notification of Truancy* mandate. The claimant asserts that notifications of truancy issued for students under age six or over age eighteen should be reimbursable because the Education Code provides that those students are statutorily entitled to attend school.¹¹² The claimant further contends that school districts are required by Education Code section 46000 to record, keep attendance, and report absences of all pupils in accordance with California State Board of Education regulations. These regulations provide that records of attendance of every pupil shall be kept for apportionment of state funds and to ensure general compliance with the compulsory education law.¹¹³

The Commission finds that providing truancy notices to pupils under the age of six and over the age of eighteen, who by definition are not subject to the compulsory education law, goes beyond the scope of the mandate and is not eligible for reimbursement. Therefore these reductions are correct as a matter of law.

The claimant is correct that at the time these reimbursement claims were filed, school districts were required by state law to admit a child to kindergarten if the child would have his or her fifth birthday on or before December 2 of that school year.¹¹⁴ School districts are also required by state and federal law to provide special education services to “individuals with exceptional needs” through age 21 if required by a pupil’s individualized education plan (IEP).¹¹⁵ And schools are required by state law to record the attendance of every pupil enrolled in school for apportionment of state funds and “to ensure the *general* compliance with the compulsory education law, and performance by a pupil of his duty to attend school regularly as provided in [California Code of Regulations, title 5] section 300.”¹¹⁶

However, the truancy laws apply *only* to those pupils who are subject to compulsory full-time education. Education Code section 48260(a), as it read during the period at issue in this IRC, defines a truant as:

¹¹² Exhibit A, IRC 10-904133-I-10, pages 20-22.

¹¹³ Exhibit A, IRC 10-904133-I-10, pages 22-25.

¹¹⁴ Education Code section 48000(a), as amended by Statutes 1991, chapter 381.

¹¹⁵ Title 20, United States Code, section 1401; Education Code section 56026.

¹¹⁶ Education Code section 46000; California Code of Regulations, title 5, section 400. Section 300 of the regulations state in relevant part that “every pupil shall attend school punctually and regularly.”

*Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday without a valid excuse on three occasions in one school year, or any combination thereof, is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.*¹¹⁷

“Compulsory full-time education” is defined in Education Code section 48200 as including “each person between the ages of six and eighteen years” as follows:

Each person *between the ages of 6 and 18 years* not exempted under the provisions of this chapter or Chapter 3 (commencing with Section 48400) is subject to compulsory full-time education. Each person subject to compulsory full-time education and each person subject to compulsory continuation education not exempted under the provisions of Chapter 3 (commencing with Section 48400) shall attend the public full-time day school or continuation school or classes and for the full time designated as the length of the schoolday [sic] by the governing board of the school district in which the residency of either the parent or legal guardian is located and each parent, guardian, or other person having control or charge of the pupil shall send the pupil to the public full-time day school or continuation school or classes and for the full time designated as the length of the schoolday [sic] by the governing board of the school district in which the residence of either the parent or the legal guardian is located.¹¹⁸

Education Code 48260(b) further states that “[n]otwithstanding subdivision (a) [which defines a truant as a pupil subject to compulsory full-time education], it is the intent of the Legislature that school districts shall not change the method of attendance accounting provided for in existing law.” Therefore, even though schools are required by state law to report the attendance of all enrolled pupils, the truancy laws, including the first notice of initial truancy required by this mandated program, apply only to pupils between the ages of six and eighteen.

Therefore, the Controller’s reduction of costs for truancy notices provided to students younger than six and older than eighteen, who are not subject to compulsory full-time education, is correct as a matter of law.

C. The Controller’s Reductions in Finding 2 Based on the Former Definition of Truant Are Inconsistent with the Education Code, and Are Incorrect as a Matter of Law.

In addition, Finding 2 of the audit report identifies 58 notifications within the sample issued for pupils who accumulated fewer than four absences.¹¹⁹ Based on the analysis herein, the Commission finds that the Controller’s disallowance of notifications issued for pupils who did

¹¹⁷ Education Code section 48260 (as amended, Stats. 1994, ch. 1023; Stats. 1995, ch. 19).

¹¹⁸ Education Code section 48200 (Stats. 1987, ch. 1452).

¹¹⁹ Exhibit A, IRC 10-904133-I-10, page 20.

not accumulate four or more absences is incorrect as a matter of law, because it relies on the former definition of a truant.

The parameters and guidelines provide for a uniform cost allowance “based on the number of initial notifications of truancy distributed pursuant to Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983.”¹²⁰ As enacted in 1976, and as analyzed by the Board of Control in its November 29, 1984 decision, Education Code section 48260 stated that a pupil who is absent or tardy from school without valid excuse for *more than three days* in one school year is a truant, as follows:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse *more than three days* or tardy in excess of 30 minutes on each of *more than three days* in one school year is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.¹²¹

Accordingly, the parameters and guidelines as originally adopted, and as amended July 22, 1993, included the then-current definition of a “truant” under Section I., Summary of Mandate:

A truancy occurs when a student is absent from school without valid excuse *more than three (3) days* or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year. (Definition from Education Code Section 48260).¹²²

Subsequent to the adoption and 1993 amendment of parameters and guidelines for this program, section 48260, defining truancy, was amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102) to lower the threshold for classifying a pupil as a truant, as follows:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse *three full days* in one school year or *tardy or absent* for more than any 30-minute period during the schoolday without a valid excuse *on three occasions* in one school year, *or any combination thereof*, is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.^{123,124}

¹²⁰ Exhibit X, Parameters and Guidelines, amended July 22, 1993.

¹²¹ Education Code section 48260 (Stats. 1976, ch. 1010) [Emphasis added].

¹²² Exhibit X, Parameters and Guidelines, amended July 22, 1993.

¹²³ Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)) [Emphasis added].

¹²⁴ The 1994 statute also changed the content of the notice required by the test claim statute to require school districts to also notify the pupil’s parent or guardian that the pupil may be subject to prosecution; or may be subject to suspension or restriction of driving privileges; and that “it is recommended that the parent or guardian accompany the pupil to school...for one day.” (Ed. Code § 48260.5 (as amended, Stats. 1994, ch. 1023 (SB 1728)).)

No test claim or request to amend parameters and guidelines was ever submitted by a school district on the 1994 and 1995 statutes. However, section 48260 is definitional and was never found to impose any mandated activities on school districts in the Board of Control's decision, or in the adoption of parameters and guidelines. Accordingly, the section 48260 definition of truancy was not included as a reimbursable activity under the "Reimbursable Costs" section of the parameters and guidelines, but rather in the Summary of Mandate section, as noted above. Moreover, the 1994 and 1995 statutes do not require school districts to perform any new activities; the same activity of distributing initial truancy notifications is still required. In addition, the unit cost for reimbursing the mandated activities to send notices to parents or guardians was not increased when the parameters and guidelines were eventually amended to reflect the changes made by the 1994 and 1995 statutes, on January 31, 2008, pursuant to legislative direction enacted in Statutes 2007, chapter 69.¹²⁵

As explained, the 1994 and 1995 amendments to Education Code section 48260 created a discrepancy between what triggered the mandated activities under law and what the parameters and guidelines in effect during that period stated was the triggering event under the Summary of Mandate. The inconsistency was corrected by an amendment to the parameters and guidelines adopted January 31, 2008 (an amendment made retroactive to July 1, 2006), but for over a decade the requirements of the Education Code and the language included in the Summary of Mandate section of the parameters and guidelines were at odds. In 2007, the Legislature acted to correct the discrepancy at the request of the State Controller's Office, recognizing that: "The school districts must adhere to the state statute, nevertheless, the State Controller uses the commission's parameters and guidelines to conduct the audits." The discrepancy, the Legislature found, "forces the State Controller's Office to request school districts to return the reimbursements even though the districts have been following the law."¹²⁶ As a result, the Legislature directed the Commission to amend the parameters and guidelines, the committee analysis noting that "[t]he commission is no longer able to update the definition of truancy due to one-year statute of limitations on revisions following amending statute."¹²⁷

When an amendment to a code section or regulation imposes a new program or higher level of service that increases the costs of a local government, a test claim must be filed within one year of the effective date of the amendment or subsequent statute in order for the local government to

¹²⁵ Statutes 2007, chapter 69 (AB 1698) states:

Notwithstanding any other provision of law, by January 31, 2008, the Commission on State Mandates shall amend the parameters and guidelines regarding the notification of truancy, test claim number SB-90-4133, and modify the definition of a truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Chapter 1023 of the Statutes of 1994 and Chapter 19 of the Statutes of 1995...Changes made by the commission to the parameters and guidelines shall be deemed effective on July 1, 2006.

¹²⁶ Exhibit X, Assembly Bill 1698 (2007), Education Committee Analysis.

¹²⁷ Exhibit X, Assembly Bill 1698 (2007), Education Committee Analysis.

exercise its right to reimbursement under the Constitution, as alluded to by the committee analysis comments on AB 1698. But here, the amendment to section 48260 did not impose a new activity, let alone a new program or higher level of service that increased costs and required the adoption of a higher uniform cost allowance; the amendment affected only the *definition* of truancy.

Education Code section 48260 does not impose a mandated activity; it merely defines the event that triggers the mandated activity. The plain language is expressly definitional, not mandatory.¹²⁸ Therefore, section 48260 was amended without altering the scope of the mandated activities, and reimbursement under the terms of the approved code section (48260.5) for sending a notice “upon a pupil's initial classification as a truant,” does not require a new test claim finding, or even an amendment to the parameters and guidelines based on changes to section 48260. This interpretation is consistent with the Board of Control’s original test claim decision, which found that section 48260.5, and not section 48260, imposed the mandate. This reasoning is also consistent with the prior parameters and guidelines, in which the definition of truancy was not included as a reimbursable activity under the “Reimbursable Costs” section.

The Controller’s auditors in this case relied on the outdated definition of truancy included in the “Summary of Mandate” section of the 1993 parameters and guidelines (*i.e., more than three* absences or instances of tardiness). The Controller correctly asserts that “[t]he parameters and guidelines as adopted on July 22, 1993, are the applicable audit criteria for the purposes of this audit.”¹²⁹ And here, the parameters and guidelines, which “helpfully” included the text of a definition (which was *not* the subject of the mandate finding) in the Summary of Mandate, rather than citing to the code section where the definition could be found, were understandably a source of confusion for the auditors.

However, the Commission finds that because the amendment to section 48260 affected only the definition of truancy, and not the mandated program required to be performed by school districts, neither a new test claim nor parameters and guidelines amendment was necessary for the districts to continue to be reimbursed for complying with section 48260.5; that “upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian...”

Therefore, the Controller’s reduction based on notices provided for pupils who accumulated three, but not four, unexcused instances of tardiness or absence is incorrect as a matter of law. All costs reduced on this basis should be reinstated to the claimant.

D. The Controller’s Reductions in Finding 2 for Notifications Claimed for Pupils with Fewer Than Three Absences or Tardy Occurrences Are Correct as a Matter of Law and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

¹²⁸ An amendment to the definition of truancy may have also necessitated altering the text or content of the notice, but section 48260 made no such express requirement.

¹²⁹ Exhibit C, Controller’s Comments, page 11.

The Controller stated in Finding 2 that a small portion of the notifications claimed were issued for students who did not accumulate even *three* absences or instances of tardiness.¹³⁰ In those cases, the pupils at issue did not meet the definition of a truant under the Education Code, and the claimant's issuance of a notification was not mandated by the state.

The audit report determination relies on "unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences..." and states that "[s]ome of these students accumulated fewer than three unexcused absences or tardiness occurrences." However, neither the IRC, nor the audit report, identifies the number of pupils who accumulated fewer than three unexcused absences or tardiness occurrences. For fiscal years 2003-2004 through 2005-2006, the audit report simply identifies 122 unallowable truancy notifications.

As discussed above, Education Code section 48260, during the fiscal years here at issue, defined a truant as "any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse *three full days* in one school year or tardy or absent for more than any 30-minute period during the schoolday without a valid excuse *on three occasions* in one school year, or any combination thereof."¹³¹

The Commission's 1993 parameters and guidelines require a school district to issue a notification of truancy "upon a pupil's initial classification as a truant..."¹³² If a pupil cannot be classified as a truant, as defined in section 48260, a notification is not required, and any notification sent to that pupil's parent or guardian, whether or not intentional, is not reimbursable. Therefore, to the extent the Controller reduced the claims based on notifications issued for pupils who were not by definition truant (i.e., pupils that did not accumulate at least three absences or instances of tardiness, or any combination thereof), those reductions are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.¹³³

Based on the foregoing, the Commission finds that reductions based on pupils who did not accumulate three absences or instances of tardiness during the school year are correct as a matter of law.

E. Reductions in Finding 2 Based on a Single Instance of Insufficient Documentation Within the Controller's Sample Are Entirely Lacking in Evidentiary Support.

¹³⁰ Exhibit A, IRC 10-904133-I-10, page 67.

¹³¹ Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)) [emphasis added].

¹³² See, e.g., Exhibit C, Controller's Comments, page 9 [quoting the Commission's 1993 parameters and guidelines]. See also, former Education Code section 48260.5 (Stats. 1983, ch. 498) ["Upon a pupil's initial classification as a truant, the school district shall notify..."].

¹³³ As discussed below, the number of pupils who did not accumulate a given number of absences or instances of tardiness within the sample was extrapolated to a total dollar amount reduction, and the Controller will be required to adjust that reduction consistently with this finding.

The claimant identifies in its IRC a single instance within the sample of notifications analyzed which the Controller found was not supported by documentation.¹³⁴ It is unclear from the audit report or the IRC narrative whether the lack or insufficiency of documentation pertains to the number of absences that that pupil accumulated, or the pupil's age, or whether the notification itself was issued as reported. Because the Commission is unable to make findings on this single instance of "insufficient documentation" because of the lack of evidence in the record, this disallowance must be remanded to the Controller and reinstated absent an adequate explanation of the reduction supported by some evidence in the record.

Furthermore, as discussed below, each of the asserted legal grounds for disallowance identified within the Controller's sample of the total population of notifications issued is calculated as an error rate and extrapolated to the whole to estimate the number of notifications that suffer from the same flaw and determine a dollar amount reduction. Because neither the claimant nor the Controller has specifically identified the reason that this single instance within the sample of "insufficient documentation" was disallowed, it is impossible to determine, and the Commission cannot presume, whether the asserted error is likely to be uniformly repeated within the population. Therefore, unlike the extrapolation of error rates for notifications issued to pupils under or over-age, or notifications issued to pupils who did not accumulate the requisite number of absences, there is not sufficient evidence in the record to support adding this instance of "insufficient documentation" to the error rates calculated by the Controller.

Based on the foregoing, the Commission finds that reductions based on a non-specific finding of insufficient documentation within the Controller's sample of notifications issued are entirely lacking in evidentiary support.

F. The Controller's Reductions Based on Statistical Sampling and Extrapolation of Correct Reductions Are Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

In its audit of 2003-2004, 2004-2005, and 2005-2006 reimbursement claims, the Controller examined a random sample of initial truancy notices distributed by the claimant for each year to determine the proportion of notifications that were unallowable for the Controller's asserted legal reasons. The Controller's sample for fiscal years 2003-2004, 2004-2005, and 2005-2006 totaled 886 notifications distributed by elementary and secondary schools, out of a total of 53,119 "supported" notifications.¹³⁵ The Controller selected its sample "based on a 95% confidence level, a precision rate of $\pm 8\%$, and an expected error rate of 50%."¹³⁶ The number of unallowable notifications within the sample for each fiscal year was then calculated as an error percentage, and extrapolated to the total number of notifications issued and identified by the

¹³⁴ Exhibit A, IRC 10-904133-I-10, pages 20-21.

¹³⁵ This figure excludes the "unsupported" notifications in Finding 1. The sample sizes for elementary schools and the sample sizes for secondary schools that were reviewed by the Controller each fiscal year ranged from 147 to 148. The sample sizes for elementary and secondary schools were separately calculated because elementary schools took daily attendance and secondary schools took period attendance. (Exhibit A, IRC, page 67 (final audit report).)

¹³⁶ Exhibit A, IRC 10-904133-I-10, page 67 (final audit report).

claimant in each fiscal year to approximate the total number of unallowable notifications (totaling 7,325 for three years). The number of unallowable notices was then multiplied by the unit cost for each fiscal year to calculate the total reduction for the three fiscal years at \$98,866.¹³⁷

Since the Controller has not actually reviewed all 53,119 “supported” notifications, the Controller’s methodology results in an estimate based on statistical probabilities of the amount of costs claimed beyond the scope of the mandate and that the Controller has determined to be excessive or unreasonable. The Controller states that the estimated reduction of costs has an “adjustment range” with a 95 percent confidence level for all three fiscal years between \$63,807 and \$133,922, and that the total reduction taken (\$98,866) for three years “provides the best, and thus *reasonable*, single estimate of the population’s true error rate.”¹³⁸ The Controller asserts that sampling and extrapolation is an audit tool commonly used to identify error rates; that there is no law or regulation prohibiting that method; and, that the claimant misstates and misunderstands the meaning of an expected error rate and confidence interval. The Controller argues that its method is reasonable, and “the Administrative Procedures Act [sic] is not applicable.”¹³⁹

Claimant asserts that the use of statistical sampling should be rejected, that the extrapolation of findings is void, and that the audit findings can only pertain to documentation actually reviewed; that is, the 886 notifications examined.¹⁴⁰ The claimant attacks the statistical reliability and accuracy of the Controller’s methodology, arguing that “[t]esting to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here.”¹⁴¹ The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. In this respect, the claimant states the following:

For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples nonrepresentative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body. The audit report states that the District “provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.” This misses the point entirely. The District does not assert that the incidence of kindergarten

¹³⁷ This figure includes the \$5,237 adjusted for understated truancy notifications for two of the district’s elementary schools. (See Exhibit A, IRC, pages 68-69 (final audit report).)

¹³⁸ Exhibit C, Controller’s Comments, page 20.

¹³⁹ Exhibit C, Controller’s Comments, page 20.

¹⁴⁰ Exhibit A, IRC 10-904133-I-10, page 13.

¹⁴¹ Exhibit A, IRC 10-904133-I-10, page 17.

students or special education students is either proportionate or disproportionate, rather than a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age than other students sampled, and thus not representative.¹⁴²

The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because fewer than two percent of the total number of notices were audited, the stated precision rate was plus or minus eight percent even though the sample size (ranging from 147 to 148) is essentially identical for all three fiscal years, and that the audited number of notices claimed for fiscal year 2004-2005 (19,101) is twenty-two percent larger than the number of notices claimed for fiscal year 2005-2006 (15,645). The claimant concludes by stating that “[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$98,866 is really just a number exactly between \$49,433 (50%) and \$148,299 (150%)” and that “[t]he midrange of an interval cannot be used as a finding of absolute actual cost.”¹⁴³ Claimant further asserts that the Controller’s failure to adopt statistical sampling as a regulation renders its use void under the APA.¹⁴⁴

Based on the analysis herein, the Commission finds that the reductions in this case, determined based on the sampling method used and lack of any evidence to the contrary, are not arbitrary, capricious, or entirely lacking in evidentiary support.

1. There is no evidence to support claimant’s argument that the statistical sampling and extrapolation method used in the audit constitutes an underground regulation.

The claimant challenges the statistical sampling and extrapolation methodology used by the Controller as an underground regulation not adopted pursuant to the APA, and argues that any findings and cost reductions extrapolated from the sample reviewed by the Controller should therefore be void. The provisions of the APA on which the claimant relies include, primarily, Government Code sections 11340.5 and 11342.600. Section 11340.5 provides, in pertinent part:

No state agency shall issue, utilize, enforce, or attempt to enforce any guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule, which is a regulation as defined in Section 11342.600, unless [the rule] has been adopted as a regulation and filed with the Secretary of State pursuant to this chapter.¹⁴⁵

Therefore, if the Controller’s challenged audit methods constitute a regulation not adopted pursuant to the APA, the Commission cannot uphold the reductions. Section 11342.600, in turn, defines a regulation to mean “...every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation, order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it,

¹⁴² Exhibit A, IRC 10-904133-10, pages 17-18.

¹⁴³ Exhibit A, IRC 10-904133-I-10, page 19.

¹⁴⁴ Exhibit A, IRC 10-904133-I-10, page 19.

¹⁴⁵ Government Code section 11340.5 (Stats. 2000, ch. 1060).

or to govern its procedure.”¹⁴⁶ Interpreting this section, the California Supreme Court in *Tidewater Marine Western v. Bradshaw* found that a regulation has two principal characteristics:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule must “implement, interpret, or make specific the law enforced or administered by [the agency], or ... govern [the agency's] procedure.”¹⁴⁷

The necessary inquiry, then, is whether the challenged audit policy or practice is applied “generally,” and used to decide a class of cases; and whether the rule “implement[s], interpret[s], or make[s] specific” the law administered by the Controller. Here, that presents a close question, which turns on the issue of general applicability: if it is the Controller’s policy that *all audits* of the *Notification of Truancy* program be conducted using the statistical sampling and extrapolation methods here challenged, then that would meet the standard of a rule applied “generally, rather than in a specific case.”¹⁴⁸ On the other hand, if statistical sampling and extrapolation is only one of an auditor’s tools, and is within the discretion of each auditor to use, then the APA does not bar the exercise of that discretion.¹⁴⁹

In *Clovis Unified*, the court held that the Controller’s contemporaneous source document rule (CSDR), which was contained solely in the Controller’s claiming instructions and not adopted in the regulatory parameters and guidelines, was applied *generally* to audits of all reimbursement claims for certain programs, in that individual auditors had no discretion to judge on a case-by-case basis whether to apply the rule.¹⁵⁰ As to the second criterion, the court found that the CSDR was more specific, and in some ways inconsistent with the parameters and guidelines for the subject mandated programs. Specifically, the court found that the CSDR defined “source documents” differently and more specifically than the parameters and guidelines, including relegating employee declarations to “corroborating documents, not source documents...,” and failing to recognize the appropriate use of a time study.¹⁵¹ The court therefore held, “[g]iven these substantive differences...we conclude that the CSDR implemented, interpreted, or made specific...” the parameters and guidelines and the Controller’s audit authority and was, therefore, an underground regulation.¹⁵²

¹⁴⁶ Government Code section 11342.600 (Stats. 2000, ch. 1060).

¹⁴⁷ *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571 (emphasis added) [Citing *Roth v. Department of Veteran Affairs* (1980) 110 Cal.App.3d 622, 630; Gov. Code § 11342(g)].

¹⁴⁸ *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571.

¹⁴⁹ See *Taye v. Coye* (1994) 29 Cal.App.4th 1339, 1345 [Finding that an auditor’s decision was not an underground regulation where it was “designed to fit the particular conditions that were encountered upon arrival at the audit site.”].

¹⁵⁰ *Clovis Unified School District v. Chiang*, 188 Cal.App.4th 794, 803.

¹⁵¹ *Id.*, at pp. 803-805.

¹⁵² *Id.*, at p. 805.

In the Medi-Cal audit context, the courts held the Department of Health Services' statistical sampling and extrapolation methods to determine the amount of over- or under-payment in reimbursement to health care providers to be an underground regulation, absent compliance with the APA. In *Grier v. Kizer*¹⁵³ and *Union of American Physicians and Dentists v. Kizer*,¹⁵⁴ (*UAPD*) "the Department conducted audits of Medi-Cal providers by taking a small random sample [to determine the frequency and extent of over- or under-claiming for services provided], then extrapolating that error rate over the total amount received by the provider during the period covered by the audit."¹⁵⁵ The courts found the sampling and extrapolation methodology in that case invalid, solely because of the failure of the Department of Health Services to adopt its methodology in accordance with the APA. The court in *Grier, supra*, concurred with an OAL determination, made in a parallel administrative proceeding, that the challenged method constituted a regulation, and should have been duly adopted. The court observed that "the definition of a regulation is broad, as contrasted with the scope of the internal management exception, which is narrow."¹⁵⁶ And, the court rejected the Department's argument that sampling and extrapolation was the only legally tenable interpretation of its audit authority: "While sampling and extrapolation may be more feasible or cost-effective,...[a] line by line audit is an alternative tenable interpretation of the statutes."¹⁵⁷ The court also noted that the Department "acquiesced" in that determination and soon after adopted a regulation providing expressly for statistical sampling and extrapolation in the conduct of Medi-Cal audits.¹⁵⁸ Accordingly, the court in *Union of American Physicians and Dentists* assumed, without deciding, that having satisfied the APA, the statistical methodology could be validly applied to pending audits, or remanded audits.¹⁵⁹ Now, with respect to Medi-Cal audits, a statistical sampling methodology is provided for in *both* the Welfare and Institutions Code and in the Department's implementing regulations.¹⁶⁰

Here, the Controller argues that the auditor "conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs," and that therefore "the

¹⁵³ (1990) 219 Cal.App.3d 422.

¹⁵⁴ (1990) 223 Cal.App.3d 490.

¹⁵⁵ *Id.*, at p. 495.

¹⁵⁶ *Id.*, at p. 435.

¹⁵⁷ *Id.*, at pp. 438-439.

¹⁵⁸ *Ibid*

¹⁵⁹ *Union of American Physicians and Dentists, supra*, 223 Cal.App.3d 490, 504-505 [finding that the statistical audit methodology did not have retroactive effect because it did not alter the legal significance of past events (i.e., the amount of compensation to which a Medi-Cal provider was entitled)].

¹⁶⁰ See, e.g., Welfare and Institutions Code section 14170(b) (added, Stats. 1992, ch. 722 (SB 485); Code of Regulations, title 22, section 51458.2 (Register 1988, No. 17).

Administrative Procedures Act is not applicable.”¹⁶¹ But that argument essentially rests on the theory that the auditors acted appropriately, and therefore the APA could not have been violated. This conclusion does not follow. Looking no further than *Clovis Unified*, and especially in light of *Grier* and *UAPD*, it is clear that an audit practice may be reasonable and otherwise permissible, yet still constitute an illegal underground regulation.

However, the Commission does not have substantial evidence in the record that the audit methodology as applied in this case rises to the level of a rule of general application, and no clear “class of cases” to which it applied has been defined. In *Tidewater*, the Court held that a “rule need not, however, apply universally; a rule applies generally so long as it declares how a certain class of cases will be decided.”¹⁶² And in *Clovis Unified*, the court explained that in the context of the Controller’s audits of mandate reimbursement claims:

As to the first criterion—whether the rule is intended to apply generally—substantial evidence supports the trial court’s finding that the CSDR was “applie[d] generally to the auditing of reimbursement claims ...; the Controller’s auditors ha[d] no discretion to judge on a case[-]by[-]case basis whether to apply the rule.”¹⁶³

Here, the sampling and extrapolation method is not published in the claiming instructions for this mandate or any other guidance or policy document that as far as the Commission is aware; nor is it alleged that auditors were *required* to utilize such methods. Indeed, of the 42 completed audit reports for this mandated program currently available on the Controller’s website, some do not apply a statistical sampling and extrapolation methodology to calculate a reduction;¹⁶⁴ others apply a sampling and extrapolation method to determine whether the notifications issued complied with the eight required elements under section 48260.5;¹⁶⁵ and still others use sampling and extrapolation methods to determine the proportion of notifications issued that were supported by documentation, including attendance records, rather than the proportion unallowable based on absences, as here.¹⁶⁶

¹⁶¹ Exhibit C, Controller’s Comments, page 20.

¹⁶² *Tidewater*, *supra*, 14 Cal.4th 557, 571.

¹⁶³ *Clovis Unified School District v. Chiang*, 188 Cal.App.4th 794, 803.

¹⁶⁴ See, e.g., Audit of Sweetwater Union High School District, *Notification of Truancy*, fiscal years 2006-2007 through 2009-2010 [In this audit report the Controller reduced based on the claimant’s failure to comply with the notification requirements of section 48260.5, rather than performing a sampling and estimation audit to determine whether notifications were issued in compliance with section 48260.].

¹⁶⁵ See, e.g., Audit of Colton Joint Unified School District, *Notification of Truancy*, fiscal years 1999-2000 through 2001-2002, issued November 26, 2003.

¹⁶⁶ See, e.g., Audit of Bakersfield City School District, *Notification of Truancy*, fiscal years 2007-2008 through 2009-2010, issued October 25, 2012.

Therefore, based on the case law discussed above, and the evidence in the record, the Commission finds that the Controller's sampling and extrapolation method, as applied in this case, is not a regulation within the meaning of the APA.

2. The Controller's audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The claimant argues that there is no statutory or regulatory authority for the Controller to reduce claimed costs based on extrapolation from a statistical sample. The Controller counters that the law does not prohibit the audit methods used by the Controller. The Controller relies on Government Code section 12410, which requires the Controller to audit all claims against the state and "may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."¹⁶⁷ The Controller also relies on Government Code section 17561, which permits the Controller to reduce any claim that is determined to be excessive or unreasonable: "The SCO conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs."¹⁶⁸

Based on the analysis herein, the Commission finds that the Controller's audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The Controller correctly states that there is no express prohibition in law or regulation of statistical sampling and extrapolation methods being used in an audit. The Controller's authority to audit is commonly described in the broadest terms: article XVI, section 7 states that "Money may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant."¹⁶⁹ Government Code section 12410 provides that the Controller "shall superintend the fiscal concerns of the state..." and "shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."¹⁷⁰

With respect to mandate reimbursement, the Controller's audit authority is more specifically articulated. Article XIII B, section 6 provides that "the State shall provide a subvention of funds to reimburse...local government for the costs of the program or increased level of service..." whenever the Legislature or a state agency mandates a new program or higher level of service.¹⁷¹ Government Code section 17561, accordingly, provides that the state "shall reimburse each local agency and school district for *all* 'costs mandated by the state,' as defined in Section 17514..."

¹⁶⁷ Government Code section 12410 (Stats. 1968, ch. 449).

¹⁶⁸ Exhibit C, Controller's Comments, page 20 [emphasis in original].

¹⁶⁹ California Constitution, article XVI, section 7 (added November 5, 1974, by Proposition 8).

¹⁷⁰ Statutes 1968, chapter 449.

¹⁷¹ California Constitution, article XIII B, section 6 (Stats. 2004, ch. 133 (SCA 4; Proposition 1A, November 2, 2004)).

Section 17561 also provided, at the time the audit of the subject claims was conducted, in 2009 and 2010, the following:

In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor except as follows: (A) The Controller may audit any of the following: (i) Records of any local agency or school district to verify the actual amount of the mandated costs. (ii) The application of a reasonable reimbursement methodology. (iii) The application of a legislatively enacted reimbursement methodology under Section 17573. (B) The Controller may reduce any claim that the Controller determines is excessive or unreasonable. (C) The Controller shall adjust the payment to correct for any underpayments or overpayments that occurred in previous fiscal years.¹⁷²

The parameters and guidelines for the *Notification of Truancy* mandate predate the statutory authorization for a “reasonable reimbursement methodology,” as defined in sections 17518.5 and 17557; however, a unit cost, which was adopted for this program, is included within the definition of a “reasonable reimbursement methodology.”¹⁷³ Thus the Controller’s audit authority pursuant to section 17561 expressly authorizes an audit of a claim based on a unit cost reimbursement scheme. The statutes, however, do not address how the Controller is to audit and verify the costs mandated by the state.

Accordingly, the Controller cites to “Government Auditing Standards, as issued by the Comptroller General of the United States,” to argue that it properly conducted the audit. “These audit standards,” the Controller asserts, “specify that auditors may use professional judgment in ‘selecting the methodology, determining the type and amount of evidence to be gathered, and choosing the tests and procedures for their work.’”¹⁷⁴ While the standards cited do not provide for statistical sampling and extrapolation to be applied to mandate reimbursement, they do provide for statistical methods to be used to establish the sufficiency, or validity of evidence generally.¹⁷⁵ The Controller also cites the “Handbook of Sampling for Auditing and Accounting,” by Herbert Arkin, for the proposition that a sampling methodology to determine the frequency of errors in the population (i.e., notifications that were not reimbursable for an asserted legal reason) is a widely used approach to auditing.¹⁷⁶

In accordance with the Controller’s audit authority and duties under the Government Code, it is not the Commission’s purview to direct the Controller to employ a specific audit method, including when the audit pertains to the application of a unit cost, as here. The Commission’s consideration is limited to whether the Controller’s reduction of costs based on audit decisions is

¹⁷² Government Code section 17561 (Stats. 2009-2010, 3rd Ex. Sess., ch. 4.)

¹⁷³ Government Code section 17518.5 (added, Stats. 2004, ch. 890); Government Code section 17557 (as amended, Stats. 2004, ch. 890; Stats. 2007, ch. 329).

¹⁷⁴ Exhibit C, Controller’s Comments, page 17.

¹⁷⁵ Exhibit X, Excerpt from Government Auditing Standards, 2003, page 13.

¹⁷⁶ Exhibit B, Controller’s Comments, page 19.

arbitrary, capricious, or entirely lacking in evidentiary support.¹⁷⁷ Based on the standards and texts cited by the Controller, statistical methods are an appropriate and commonly-used tool in auditing. The claimant, too, concedes that “[a] statistically valid sample methodology is a recognized audit tool for some purposes.”¹⁷⁸

In fact, statistical sampling methods such as those employed here are used in a number of other contexts and have not been held, in themselves, to be arbitrary and capricious, or incorrect as a matter of law. As discussed above, when the Department of Health Services used statistical sampling and extrapolation to determine the amount of over- or under-payment in the context of Medi-Cal reimbursement to health care providers in *Grier v. Kizer*¹⁷⁹ and *Union of American Physicians and Dentists v. Kizer*¹⁸⁰ (*UAPD*), those methods were disapproved by the courts only on the ground that they constituted a regulation not adopted in accordance with the APA, rather than on the substantive question whether statistical sampling and extrapolation was a permissible methodology for auditing.¹⁸¹ Once the Department adopted a regulation in accordance with the APA – a reaction to the proceedings in *Grier* – the court in *UAPD* had no objection to the methodology on its merits.¹⁸² Thus, after *Grier*, the Department of Health Services has both regulatory and statutory authority for its sampling and extrapolation audit process.¹⁸³

In addition to the Medi-Cal reimbursement context, the courts have declined to reject the use of statistical sampling and extrapolation to calculate damages due to plaintiffs in a class action or other mass tort action.¹⁸⁴ And, in a case addressing audits of county welfare agencies, the court declined to consider whether the sampling and extrapolation procedures were legally proper, instead finding that counties were not required to be solely responsible for errors “which seem to be inherent in public welfare administration.”¹⁸⁵

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,¹⁸⁶ the Commission finds that it must uphold the Controller’s auditing

¹⁷⁷ *American Bd. of Cosmetic Surgery, Inc.*, *supra*, 162 Cal.App.4th 534, 547-548.

¹⁷⁸ Exhibit A, IRC 10-904133-I-10, page 16.

¹⁷⁹ (1990) 219 Cal.App.3d 422.

¹⁸⁰ (1990) 223 Cal.App.3d 490.

¹⁸¹ E.g., *Grier*, *supra*, 219 Cal.App.3d, 422, 439-440.

¹⁸² *Union of American Physicians and Dentists*, *supra*, 223 Cal.App.3d 490, 504-505 [finding that the statistical audit methodology did not have retroactive effect because it did not alter the legal significance of past events (i.e., the amount of compensation to which a Medi-Cal provider was entitled)].

¹⁸³ See, e.g., Welfare and Institutions Code section 14170(b) (added, Stats. 1992, ch. 722 (SB 485); Code of Regulations, title 22, section 51458.2 (Register 1988, No. 17).

¹⁸⁴ See, e.g., *Bell v. Farmers Insurance Exchange* (2004) 115 Cal.App.4th 715.

¹⁸⁵ *County of Marin v. Martin* (1974) 43 Cal.App.3d 1, 7.

¹⁸⁶ Government Code section 12410 (Stats. 1968, ch. 449).

decisions absent evidence that the audit reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

3. There is no evidence in the record that the Controller's findings using the sampling and extrapolation methodology are not representative of all notices claimed during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

In addition to challenging the legal sufficiency of the Controller's sampling and extrapolation methodology, the claimant also challenges the qualitative and quantitative reliability and fairness of using statistical sampling and extrapolation to evaluate reimbursement. The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. In this respect, the claimant asserts that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age, and, thus, the extrapolation from the samples would not be representative of the universe.¹⁸⁷ The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because less than two percent of the total number of notices were audited, the stated precision rate was plus or minus eight percent even though the sample size (ranging from 147 to 148) is essentially identical for all three fiscal years, and that the audited number of notices claimed for fiscal year 2004-2005 (19,101) is twenty-two percent larger than the number of notices claimed for fiscal year 2005-2006 (15,645). The claimant concludes by stating that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$98,866 is really just a number exactly between \$49,433 (50%) and \$148,299 (150%)" and that "[t]he midrange of an interval cannot be used as a finding of absolute actual cost."¹⁸⁸

The Controller disagrees with the claimant's assertions that the sampling is non-representative of all notices claimed. The Controller states that "the fact that a particular student's initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population."¹⁸⁹ The Controller cites to Arkin's *Handbook of Sampling for Auditing and Accounting*, page 9:

Since the [statistical] sample is objective and unbiased, it is not subject to questions that might be raised relative to a judgment sample. Certainly a complaint that the auditor had looked only at the worst items and therefore biased the results would have not standing. This results from the fact that an important feature of this method of sampling is that all entries or documents have an equal opportunity for inclusion in the sample.¹⁹⁰

¹⁸⁷ Exhibit A, IRC 10-904133-I-10, pages 17-18.

¹⁸⁸ Exhibit A, IRC 10-904133-I-10, page 19.

¹⁸⁹ Exhibit C, Controller's Comments, page 18.

¹⁹⁰ Exhibit C, Controller's Comments, page 18 [Citing Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 9].

The Controller further states that the district apparently reached the conclusion that the sampling was quantitatively non-representative because the sample sizes were essentially consistent, while the applicable population size varied. The Controller argues that the absolute size of the sample, not the relative size, is more important under “basic statistical sampling principles.” The Controller explains that an “expected error rate” in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the result. In other words, when “the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate...” an expected error rate of 50 percent as the beginning assumption will provide “the most conservative possible sample size estimate” in order to achieve the precision desired.¹⁹¹ In addition, the desired accuracy of the result, which might be called a “margin of error,” is determined by the auditor before calculating the sample size (shown below as “SE = desired sample precision”). Therefore, the “margin of error” of the Controller’s resulting percentage is a known value. The Controller relies on the following formula outlined in Arkin’s *Handbook of Sampling for Auditing and Accounting* to calculate the sample size:

$$n = \frac{p(1 - p)}{\left(\frac{SE}{t}\right)^2 + \left(\frac{p(1 - p)}{N}\right)}$$

n = sample size

p = percent of occurrence in population (expected error rate)

SE = desired sample precision

t = confidence level factor

N = population size¹⁹²

Thus, applying the formula above to the population of elementary and secondary notices in this case, with a 50 percent expected error rate (the “most conservative sample size estimate” when an error rate is not known) and a desired eight percent margin of error, as stated in the audit report, shows that an appropriate sample size for each level of elementary and secondary schools is between 147 and 148 notices for populations ranging from 7,562 to 9,706 notifications issued either by elementary or secondary schools during the audit period.¹⁹³

Moreover, there is no evidence in the record that the results are biased or unrepresentative “because a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age,” as asserted by claimant. There is no dispute that the samples were randomly obtained and reviewed by the Controller. According to the *Handbook of Sampling for Auditing and Accounting* (Arkin), all notices randomly sampled have an equal opportunity for

¹⁹¹ Exhibit C, Controller’s Comments, page 20 [Citing Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 89].

¹⁹² *Ibid.*

¹⁹³ Exhibit C, Controller’s Comments, page 20.

inclusion in the sample and, thus, the result is statistically objective and unbiased.¹⁹⁴ Moreover, absent evidence, the Commission and the Controller must presume that the schools within the claimant's district complied with the mandate in the same way.

Based on the analysis above, the Commission finds that the Controller's reduction of costs, based on the statistical sampling method as applied in this case, is not arbitrary, capricious, or entirely lacking in evidentiary support.

V. Conclusion

Pursuant to Government Code section 17551(d), the Commission partially approves this IRC. The Commission finds that the following reductions are correct as a matter of law and are not arbitrary, capricious, or entirely lacking in evidentiary support:

- Reductions in Finding 1 based on the ground that the claimant provided no documentation to support the number of notifications distributed.
- Reductions in Finding 2 based on notifications issued for pupils under age six or over age eighteen.
- Reductions in Finding 2 for notifications issued for pupils who accumulated *fewer than three* unexcused absences or instances of tardiness.
- The Controller's sampling and extrapolation methodology to calculate the reductions is not arbitrary, capricious, or entirely lacking in evidentiary support, to the extent that the underlying reasons for reduction are valid.

The following reductions, however, including any extrapolation of these reductions to costs claimed by the district, are incorrect as a matter of law, or are entirely lacking in evidentiary support:

- Reductions in Finding 2 based on notifications issued for pupils who accumulated *three but not four* unexcused absences or instances of tardiness.
- Reductions based on one notification in Finding 2 for which the Controller found an unspecified lack of sufficient documentation.

The costs incorrectly reduced should be reinstated by the Controller in accordance with this decision.

¹⁹⁴ Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 9.

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On September 21, 2015, I served the:

Draft Proposed Decision, Schedule for Comments, and Notice of Hearing

Notification of Truancy, 10-904133-I-10 and 13-904133-I-12

Education Code Section 48260.5

Statutes 1983, Chapter 498

Fiscal Years: 2003-2004, 2004-2005, 2005-2006, and 2006-2007

Riverside Unified School District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on September 21, 2015 at Sacramento, California.



Jill E. Magee

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 9/10/15

Claim Number: 10-904133-I-10 and 13-904133-I-12

Matter: Notification of Truancy

Claimant: Riverside Unified School District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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October 9, 2015

Heather Halsey, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Dear Ms. Halsey:

RE: CSM 10-904133-I-10 and 13-904133-I-12
Riverside Unified School District
498/83 Notification of Truancy - **Audit #2**
Fiscal Years: 2003-04, 2004-05, 2005-06, and 2006-07
Original and Revised Incorrect Reduction Claims

I have received the Commission Draft Proposed Decision (DPD) dated September 21, 2015, for the above-referenced incorrect reduction claims, to which I respond on behalf of the District.

PART A. TOTAL CLAIMED NOTIFICATIONS

In Finding 1, the original and revised audit reports determined that the District overstated costs in the amount of \$799 by overstating total claimed notifications of truancy distributed by 24 (0.13% of the 17,943 claimed) in FY 2003-04 and 33 (0.17% of the 19,134 claimed) in FY 2004-05, "because attendance records did not support the number of initial truancy notifications claimed." The incorrect reduction claims assert that because the parameters and guidelines do not specify the form of supporting documentation required, do not require claimants to maintain a copy of each notification, and do not require attendance records to support the number of notifications distributed, that the Controller's selection of the attendance records as the only source of support for the number of notifications claimed for purposes of the audit is an unenforceable policy preference.

The Controller's October 3, 2014, response (p.6) indicates what may have occurred during the audit. The auditor accepted only attendance records because "(t)he district's attendance records are the source documentation to validate that the students did, in fact, qualify as truants." The District asserts that it provided documentation generated in the ordinary course of business and the implementation of the mandate and has therefore supported the claimed costs. The Controller disagrees and states that "(s)imply providing documentation does not result in reimbursable mandated costs. Supporting documentation must show that the claimed costs are reimbursable in accordance with the parameters and guidelines." The District characterized this as "additional standards desired by the Controller for supporting documentation." The Controller stated that "we are unclear what 'additional standards' the district believes exists." The obvious additional standard is the Controller's insistence for specific attendance records only, which would be underground rulemaking.

The Commission (DPD, 27) agrees that the parameters and guidelines do not specify attendance records as the only appropriate supporting documentation, but concludes that there is no evidence in the record that any other documentation was provided to the auditor. The District attendance records, which certainly are records generated in the ordinary course of business, were sufficient to support about 99% of the claimed notifications. It is unknown at this time, twelve years hence, what other business records were offered to support that missing slim 1%, but it is clear that the auditor would not have considered these records because they were not attendance records. Therefore, the Commission's finding of fact based on no other evidence in the record is not reached. It is the Controller's insistence on specific documentation not required by the parameters and guidelines that creates the threshold error of law.

PART B. SAMPLED NOTIFICATIONS

In Finding 2, the original and revised audit reports disallowed \$98,866 of the claimed costs for the audit period "for [sampled] students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program." The sampled notifications were disallowed for three reasons: 63 as outside the ages of 6 through 18; 58 for accruing less than four absences/tardies; and, 1 for insufficient documentation.

<u>REASON FOR DISALLOWANCE</u>	<u>2003-04</u>	<u>2005-06</u>	<u>2005-06</u>	<u>Total</u>
<u>Elementary Schools (Daily Attendance)</u>				
Underage (less than 6 years)	15	15	27	57
Insufficient documentation	0	0	0	0
Less than 4 Absences	<u>21</u>	<u>25</u>	<u>11</u>	<u>57</u>
Total Disallowed	36	40	38	114
Sample Size	148	148	147	
Percentage Disallowance	24.32%	27.03%	25.85%	

Secondary Schools (Period Attendance)

Overage (18 years plus)	2	2	2	6
Insufficient documentation	1	0	0	1
Less than 4 Absences			$\frac{1}{3}$	$\frac{1}{8}$
Total Disallowed	$\frac{3}{3}$	$\frac{2}{2}$	$\frac{1}{3}$	$\frac{1}{8}$
Sample Size	148	148	148	
Percentage Disallowance	2.03%	1.35%	2.04%	

1. Compulsory Attendance

The audit report disallowed 57 notices in the audit sample for the elementary schools (daily attendance accounting) for students that were younger than 6 years of age and disallowed 6 notices in the audit sample for secondary schools (period attendance accounting) for students that were older than 18 years of age at the time the notification was sent, citing the compulsory attendance law, Education Code Section 48200, which provides each person 6 through 18 years not otherwise exempted is subject to compulsory full-time education. In the incorrect reduction claims the District asserted that school districts are required by Section 46000 to record and keep attendance and report the absences of *all students* according to the regulations of the State Board of Education for purposes of apportionment and general compliance with the compulsory education law (Title 5, CCR, Section 400, et seq.), and that the initial notification of truancy is a product of the attendance accounting process that promotes compliance of the compulsory education law and every pupil's duty to attend school regularly (Title 5, CCR, Section 300).

The Commission (DPD, 29) determined:

Education Code 48260(b) further states that “[n]otwithstanding subdivision (a) [which defines a truant as a pupil subject to compulsory full-time education], it is the intent of the Legislature that school districts shall not change the method of attendance accounting provided for in existing law.” Therefore, even though schools are required by state law to report the attendance of all enrolled pupils, the truancy laws, including the first notice of initial truancy required by this mandated program, apply only to pupils between the ages of six and eighteen.

The District no longer disputes this issue.

2. Definition of Initial Truancya. Three absences/tardies

The audit reports disallowed 58 notices in the audit sample for those students who had three but did not have four absences/tardies recorded in the attendance records for that

student. The original incorrect reduction claim noted that Education Code Section 48260, as recodified by Chapter 1010, Statutes of 1976, required at least four absences or tardies to trigger the notification. The original 1993 parameters and guidelines referenced this 1976 standard. However, Section 48260, as amended by Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, set the trigger at three absences or tardies. This change was made to the parameters and guidelines by a 2008 amendment. The Controller appears to assert that the 1993 version controls the audit until the 2008 amendment. The Commission (DPD, 32) determined that neither a new test claim nor parameters and guidelines amendment was necessary to implement the 1994 change in the Section 48260 definition of truancy. The District agrees.

b. Less than three absences/tardies

The audit reports disallowed “some” of the audit sample for those students sampled who had less than three unexcused absences/tardies. These particular samples are currently an unidentified subset of the 58 notices discussed in item 2 a. The disallowed samples resulted because the District was either unable to provide documentation at the time of audit of the three incidences at the time the notification letters were sent, or some of the incidences were retroactively cleared after the notification was sent. The District no longer disputes this issue.

3. Documentation Issue

The incorrect reduction claims identified one sample notice in FY 2003-04 that was disallowed by the audit due to “insufficient documentation.” The Commission (p.34) is unable to make findings on this disallowance of this single instance of insufficient documentation because of lack of evidence in the record and remands it to the Controller for reinstatement absent an adequate explanation. The District agrees.

The District’s agreement with these three Commission findings is limited to the extent of the actual number of sampled notices involved, but not as to the extrapolation of these sampled notices.

PART C. STATISTICAL SAMPLING AND EXTRAPOLATION OF FINDINGS

For Fiscal Years 2003-04, 2004-05, and 2005-06, the Controller examined a random sample of initial truancy notices to determine which notifications were unallowable for the reasons stated above. The audit sampled 886 notifications out of a total universe of 52,665 (the 454 notices for FY 2005-06 for two elementary schools were extrapolated separately). The extrapolation of the 122 disallowed sampled notifications is 7,208 (plus an additional 117 for the two elementary schools), in the amount of \$98,866, for the three years.

The incorrect reduction claims assert that the Controller cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample, that the entire findings are based upon the wrong standard for review and that there is no published audit manual for mandate reimbursement or the audit of mandate claims in general for this or any other mandate program which allows this method of audit or allows adjustment of amounts claimed in this manner. The Commission has concluded otherwise based on factually unrelated case law, broad legislative grants of authority, and unadopted audit standards intended for other purposes.

1. **Underground Regulation**

The incorrect reduction claims assert that the sampling and extrapolation process is a standard of general application without appropriate state agency rulemaking and is therefore unenforceable (Government Code Section 11340.5). The formula is not an exempt audit guideline (Government Code Section 11340.9 (e)). State agencies are prohibited from enforcing underground regulations. If a state agency issues, enforces, or attempts to enforce a rule without following the Administrative Procedure Act, when it is required to, the rule is called an "underground regulation." Further, the audit adjustment is a financial penalty against the District, and since the adjustment is based on an underground regulation, the formula cannot be used for the audit adjustment (Government Code Section 11425.50 (c)). The Commission concludes (DPD, 42) that the Controller's sampling and extrapolation method is not an underground regulation within the meaning of the Administrative Procedure Act.

The Commission cites (DPD, 37) *Tidewater Marine Western v. Bradshaw* for two standards of review:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule must "implement, interpret, or make specific the law enforced or administered by [the agency], or . . . govern [the agency's] procedure."¹⁴⁷

a. "Generality" of application (Government Code Section 11340.5)

Tidewater states that the rule need not be applied universally, but only to a certain class of cases. Notwithstanding, the Commission (DPD, 39) erroneously asserts as a matter of law that the Controller would have to apply the sampling process to all audits of the Notification of Truancy mandate, relevant or not, because the auditor has discretion to select among audit methods. That is the wrong standard. It is not that every audit must be a *Tidewater* "case" to support the concept of generality as the Commission concludes, but more logically it is that if the factual circumstances are present that are conducive to the use of sampling and whether sampling was used, rather than another

audit method (such as 100% review of the records).

The Commission (DPD, 39) notes that 42 audits of the Notification of Truancy mandate program have been posted to the Controller's website, but that some do not apply statistical sampling and extrapolation to calculate the audit reduction. The exceptions identified by the Commission are:

- Sweetwater Union High School District, where the auditor disallowed in Finding 2 (noted by the Commission at Footnote 164), a portion of the costs based on the content of the notification. One of the eight notification items was missing, so 12.5% of the claimed cost was disallowed for all notices. (The same adjustment was made in Finding 3 of the Riverside revised audit.) The content of the notice is a compliance issue and not a documentation issue, so statistical sampling is not relevant to this Finding. It appears that the documentation issue was addressed in Finding 1 (not cited by the Commission) where the auditor identified the unallowable notices without the need for sampling. In addition, this Finding increased the number of reimbursable notifications. Therefore, this audit does not qualify as a "case." Note that the Controller did use sampling techniques on the previous Sweetwater audit for FY 2000-01 and 2001-02, issued October 7, 2005, which does qualify as a "case."
- Colton Joint Unified School District (Footnote 165), where the auditor disallowed 100% of the claimed costs. The auditor did use the sampling technique, contrary to the Commission conclusion. The auditor commenced the sampling process, but then disallowed all of the claimed notices because documentation could not be found for most of the samples, site staff stated they did not actually distribute notices in most cases, and the form of notice did not include the five components. This audit qualifies as a "case" because sampling was used, it is just that extrapolation was not necessary.
- Bakersfield City School District (Footnote 166), where the auditor allowed all of the cost claimed based on the District's manual documentation process. That is, apparently sufficient and appropriate documentation was available for all claimed notifications. It appears that there was no need to sample for defective documentation and this appears to be a situation of a 100% review. Therefore, this audit is not a "case," and is not relevant as an exception.

Of the three exceptions cited by the Commission, two are not factually relevant exceptions and one did utilize statistical sampling. Therefore, all of the *relevant* "cases" used the statistical sampling process and the matter of generality are no longer an issue.

The second *Tidewater* standard is that the rule must "implement, interpret, or make specific the law enforced or administered by [the agency], or . . . govern [the agency's] procedure." That is not contested here by any of the parties or the Commission.

The Commission (DPD, 37) relies upon *Clovis* to establish another standard that an auditor must be without discretion in applying the sampling process. *Clovis* is inapplicable here because the contemporaneous source document rule (CSDR) was published in the Controller's claiming instructions, whereas the parameters and guidelines and claiming instructions for Notification of Truancy are silent on the subject of statistical sampling and extrapolation. The perceived lack of auditor discretion for using the CSDR derives from the claiming instructions and thus *Clovis* is not a standard available for the sampling and extrapolation method since that process was not published. Regardless, as a factual matter, sampling and extrapolation was used in all relevant audit circumstances, so discretion is no longer an issue.

The Commission (DPD, 38) cites the Medi-Cal cases decided in 1990 for the assertion that a statistical sampling methodology could be applied to Medi-Cal cost audits. This is not entirely useful since the ultimate court finding applied only after the state had performed the missing rulemaking. But, the lesson is clear from the Medi-Cal cases. State agencies need to perform the necessary rulemaking rather than cobble together a post-facto defense to avoid this level of public scrutiny. The Controller, whose particular responsibility has been the payment and audit of the mandate annual claims for more than thirty years, has had ample time for rulemaking for this audit method.

b. Exempt audit guideline (Government Code Section 11340.9 (e))

This issue was not addressed by the Commission. The Controller has not asserted that the sampling and extrapolation is a confidential audit criterion or guideline. Indeed, the process is disclosed in the audit report.

c. Financial penalty (Government Code Section 11425.50 (c))

This issue was not addressed by the Commission. However, the statistical sampling and extrapolation generate audit findings that result in a loss of reimbursement for the districts and is therefore a financial penalty.

2. Authority to Utilize Sampling and Extrapolation Methods

The incorrect reduction claims assert that the Controller cited no relevant statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample for audits of state mandate programs. The Commission (DPD, 40-42) proposes several theories to support the Controller's claim to such authority.

a. No express prohibition

There is no cited express prohibition in law or regulation against statistical sampling and

extrapolation methods being used in an audit. However, governmental authority is not unlimited and must always be properly exercised. One example pertinent to these incorrect reduction claims is that the Administrative Procedure Act prohibits underground rulemaking.

b. Broad Constitutional authority

The Commission cites Article XVI, section 7, which states that “(m)oney may be drawn from the Treasury only through an appropriation made by law and upon a Controller’s duly drawn warrant.” The Commission has not cited a case that applies this to mandate reimbursement, nor has anyone asserted that a claim has been paid without a legal appropriation or without a legal warrant.

c. Government Code section 12410

The Commission cites Government Code Section 12410 which states that the Controller “shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.” However, Section 12410 is found in the part of the Government Code that provides a general description of the duties of the Controller and dates back to 1945. It is not specific to the audit of mandate reimbursement claims. The only applicable audit standard for mandate reimbursement claims is found in Government Code Section 17561(d). It is the case of more specific language circumscribing the general language.

Further, it has not been demonstrated that, if Section 12410 was somehow the applicable standard, the audit adjustments were made in accordance with this standard. There is no allegation in the audit report that the claim was in any way illegal. The Section 12410 phrase “sufficient provisions of law for payment” refers to the requirement that there be adequate appropriations prior to the disbursement of any funds. There is no indication that any funds were disbursed for these claims without sufficient appropriations. Thus, even if the standards of Section 12410 were applicable to mandate reimbursement audits, there is no evidence that these standards are not met or even relevant. There is no indication that the Controller is actually relying on the audit standards set forth in Section 12410 for the adjustments to the District’s reimbursement claims.

d. Government Code section 17561

Government Code Section 17561 (d), authorizes the Controller to audit annual reimbursement claims and to “verify the actual amount of the mandated costs” and “reduce any claim that the Controller determines is excessive or unreasonable.” This is a distinct statement of audit scope. Adjustments based on lack of documentation are not adjustments based on excessive or unreasonable costs. There is no assertion that the unit cost rate for the notifications is excessive or unreasonable. Nor could a unit

cost rate (or reasonable reimbursement methodology as defined by Section 17518.5) be audited to “verify” the actual cost of the mandate since a unit cost is a statewide average not applicable to the actual cost at any one district.

e. Generally Accepted Government Auditing Standards

In support of the Controller’s authority, the Commission cites to the federal Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the “Yellow Book,”¹ while at the same time acknowledging that dollar amount extrapolation of sampled findings method is not specifically included in that publication. The Yellow Book is for use by auditors of government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits. These standards apply when required by law, regulation, agreement, contract, or policy. Neither the audit report nor Commission cite any law or agreement or policy that makes the Yellow Book applicable to audits of state mandated costs.

Regardless, the audit reports state that the audit was a “performance audit.” The Yellow Book standards for performance audits are:

2.6 A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.

2.7 Performance audits include economy and efficiency and program audits.

- a. Economy and efficiency audits include determining (1) whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently, (2) the causes of inefficiencies or uneconomical practices, and (3) whether the entity has complied with laws and regulations on matters of economy and efficiency.
- b. Program audits include determining (1) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (2) the effectiveness of organizations, programs,

¹ Generally Accepted Government Auditing Standards

The Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the “Yellow Book,” are published by the United States Government Accountability Office (GAO): <http://www.gao.gov/govaud/ybook.pdf>.

activities, or functions, and (3) whether the entity has complied with significant laws and regulations applicable to the program.

The audit report and Commission made no findings based on the above qualitative performance criteria. A performance audit was not conducted. The audit was a documentation audit. However, if *documentation* is the *performance* to be measured, it should be noted that the District documented about 99% of the claimed notifications to the auditor's satisfaction. However, if the Controller has adopted the Yellow Book as a matter of policy, that decision would have to survive the test for underground rulemaking.

f. Government Code section 17558.5

In the audit reports the Controller cites, but the Commission does not consider in the draft proposed decision, Government Code Section 17558.5 which describes the time to commence and finish an audit. This Section is not an audit content or process standard and is not relevant.

3. Use of Sampling Methodology

The District has already agreed that statistical sampling is a recognized audit tool for some purposes, regardless of whether any of the Commission cited sources support that conclusion as a matter of law for a state audit of mandated cost annual claims. The question becomes whether the method, if it is not an underground rule, was properly applied. The Commission concludes that the District's assertion that the sample is not representative of the universe is unfounded and that the Controller's showing that the method is statistically significant and mathematically valid is sufficient.

The Commission (DPD, 42) cites the Medi-Cal cases for the assertion that a statistical sampling methodology could be applied to Medi-Cal cost audits. The District does not agree that the sampling method as used in the Medi-Cal audits is the same as the method as used in the Controller's audit. In the Medi-Cal audits, different fee amounts for numerous types of services were audited for documentation and necessity of service. For Notification of Truancy, where the dollar amount is fixed, the auditor's purpose for the sampling is to determine whether a sufficient number of absences/tardies were incurred and if the student is subject to the notification process. What the Controller is testing is whether the notices are reimbursable based on the number of prerequisite absences, which is testing for procedural compliance, not the dollar amount of dissimilar services. Testing to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here. This is a failure of auditor judgment both in the purpose of the sampling and the use of the findings. The cited *Bell* case, as well as the Commission decision, does not conclusively address this issue.

4. Representativeness of the Sampling

The Commission (DPD, 44) asserts:

Moreover, there is no evidence in the record that the results are biased or unrepresentative “because a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age,” as asserted by claimant. There is no dispute that the samples were randomly obtained and reviewed by the Controller. According to the *Handbook of Sampling for Auditing and Accounting* (Arkin), all notices randomly sampled have an equal opportunity for inclusion in the sample and, thus, the result is statistically objective and unbiased.¹⁹⁴ Moreover, absent evidence, the Commission and the Controller must presume that the schools within the claimant’s district complied with the mandate in the same way.

a. Age of student

In the incorrect reduction claims, the District asserts that the errors perceived from the sample do not occur at the same rate in the universe even when the samples are randomly selected, which was discounted by the Commission due to lack of evidence. Kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples nonrepresentative of the universe. The Commission can take notice that there are more five-year old children in kindergarten than there are in the other grades 1-12. Also, if any of the notices excluded for being over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being over-age is greater than the entire student body since school districts must provide services to these persons through age 21 years. The Commission can take notice that a 19-21 year-old student is more likely to be a special education student than the pupils in the other grade levels.

b. Random sample

The Commission asserts that all randomly sampled notices have an equal opportunity for inclusion in the sample and, thus, the result is statistically objective and unbiased. The District does not assert that the incidence of truancy for kindergarten students or special education students is either proportionate or disproportionate, rather that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age than other students sampled, and thus not representative.

c. Presumption of uniform compliance

The Commission establishment of a rebuttable presumption that the District staff uniformly complied with the mandate may derive from its finding in Notification of

Truancy, 05-904133-I-02, Los Angeles Unified School District (September 9, 2015, Proposed Decision, 27):

However, the Controller's extrapolation of its findings from the 67 sampled school sites to the remaining 53 school sites that were not included in the Controller's audit sample is not supported by any evidence in the record. There is no showing in the record that the audit results from the sampled schools accurately reflects and is representative of the schools not sampled. There is evidence that school sites in the claimant's district complied with the mandate in different ways. As indicated above, some school sites sampled provided truancy notification letters to support the costs claimed and some did not. The audit report further states the attendance counselors at some school sites were not aware of the mandate or the proper guidelines for reporting initial truancy notifications, some records could not be located, some records were destroyed, and some counselors at school sites were not on duty daily requiring other administrative staff to provide the truancy notifications.⁸⁷ Because the record indicates variation in school compliance, the Controller's use of data from the sampled schools in the district to calculate the percentage of compliance for all schools does not provide any evidence of the validity of the costs claimed by the schools that were not sampled. Thus, the Controller's finding that the costs claimed by the 53 school sites that were not sampled were not supported by documentation, is not supported by any evidence in the record.

For Riverside, the Commission states that there is no evidence that the schools complied with the mandate in different ways. The opposite is also true. However, uniform compliance is a non-issue for the sampling extrapolation. If a notification letter was not sent, it is not included in the total universe of letters. If attendance records are missing, then the sample was disallowed. If an insufficient number of incidences of truancy occurred, then the sample was disallowed. The Commission's rebuttable presumption is both irrelevant, not stated in the parameters and guidelines, not stated in the claiming instructions, and without possibility of factual rebuttal this many years after the audit.

The Los Angeles findings also raise a factual issue not addressed by the Riverside audit report, that is, whether the sample included students from all school sites. If not, this would reduce the universe for extrapolation according to the Commission's Los Angeles criteria.

5. Certainty of Dollar Amount Adjusted

<u>Elementary Schools</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>Total</u>
Audited notifications claimed	9,214	9,395	7,562*	26,171
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.61%	1.58%	1.94%	1.69%

Audit Results:

Alleged "noncompliant" notices	36	40	38	114
Percentage "noncompliant"	24.32%	27.03%	25.85%	25.73%

Secondary Schools

Audited notifications claimed	8,705	9,706	8,083	26,494
Total notices in entire sample	148	148	147	443
Percentage of the sample to total	1.70%	1.52%	1.82%	1.67%

Audit Results:

Alleged "noncompliant" notices	3	2	3	8
Percentage "noncompliant"	2.03%	1.35%	2.04%	1.81%

* Net of unsupported truancies identified in Finding 1. The population of elementary schools sampled for FY 2005-06 totaled 8,016 (7,562 claimed and 454 unclaimed).

The Commission accepts the Controller's 50% error rate as reasonable. The Commission cites (DPD, 44) the Controller's precision assumptions:

The Controller explains that an "expected error rate" in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the result. In other words, when "the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate..." an expected error rate of 50 percent as the beginning assumption will provide "the most conservative possible sample size estimate" in order to achieve the precision desired. 191

The error rate of 50% should not be championed by anyone when it results in a fiscal penalty. The Commission findings note that the sample size 147 or 148 (less than 1% difference) is essentially the same for populations which range from 7,562 to 9,706 (a 22% difference). The stated precision rate was plus or minus 8% even though the audited number of notices claimed in FY 2005-06 of 15,645 (7,562+8,083) is 18%

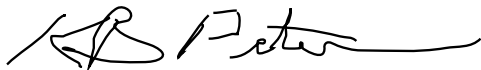
smaller than audited number of notices in FY 2004-05 of 19,101 (9,395+9,706). The matter of precision is not proved. The Controller was not compelled to restrict the sample size or precision.

As an evidentiary matter, because the expected error rate is an assumption and acknowledged by the state as not being a measure of the ultimate accuracy of the result, it would be arbitrary to just use the midrange of the predicted results. Because it is equally likely that the extrapolation results will be either the highest or lowest amount, or any amount in between, the only evidentiary certainty that does not penalize the District is the lowest adjustment amount. The uncertainty should be mitigated against the method and the agency using the method. If the Commission insists on allowing the extrapolation, it must accept the finding with the least penalty to the District.

CERTIFICATION

By my signature below, I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this submission is true and complete to the best of my own knowledge or information or belief, and that any attached documents are true and correct copies of documents received from or sent by the District or state agency which originated the document.

Executed on October 9, 2015, at Sacramento, California, by



Keith B. Petersen, President
SixTen & Associates

Service by Commission Electronic Drop Box

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On October 12, 2015, I served the:

Claimant Comments

Notification of Truancy, 10-904133-I-10 and 13-904133-I-12

Education Code Section 48260.5

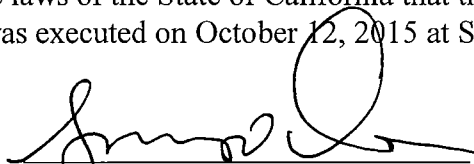
Statutes 1983, Chapter 498

Fiscal Years: 2003-2004, 2004-2005, 2005-2006, and 2006-2007

Riverside Unified School District, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on October 12, 2015 at Sacramento, California.



Lorenzo Duran

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 9/21/15

Claim Number: 10-904133-I-10 and 13-904133-I-12

Matter: Notification of Truancy

Claimant: Riverside Unified School District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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Keith Petersen, *SixTen & Associates*

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sandrareynolds_30@msn.com

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2200 Sunrise Boulevard, Suite 240, Gold River, CA 95670
Phone: (916) 852-8970
dscribner@max8550.com

Jim Spano, Chief, Mandated Cost Audits Bureau, *State Controller's Office*
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Phone: (916) 323-5849
jspano@sco.ca.gov

Dennis Speciale, *State Controller's Office*
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Phone: (916) 324-0254
DSpeciale@sco.ca.gov



RECEIVED
October 13, 2015
Commission on
State Mandates

BETTY T. YEE
California State Controller

LATE FILING

October 12, 2015

Heather Halsey
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Draft Proposed Decision**
Incorrect Reduction Claim
Notification of Truancy, 10-904133-I-10 and 13-904133-I-12
Education Code Section 48260.5
Statutes 1983, Chapter 498
Fiscal Years 2003-2004, 2004-05, 2005-06, and 2006-07
Riverside Unified School District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated September 21, 2015, for the above incorrect reduction claim (IRC) filed by Riverside Unified School District. This letter constitutes the Controller's response to the DSA.

We support the Commission staff decision related to the following:

- Reductions based on insufficient documentation to support the number of initial truanancies claimed are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.
- Reductions based on notifications of truancy issued for pupils who had less than three unexcused absences or occurrences of tardiness and for pupils who were under the age of six and over the age of eighteen are correct as a matter of law.
- Reductions based on notifications issued for pupils with fewer than three absences or tardiness occurrences are correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.
- The statistical sampling methodology used by the Controller to determine the amounts to be reduced is not arbitrary, capricious, or entirely lacking in evidentiary support.

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3301 C Street, Suite 700, Sacramento, CA 95816 ♦ (916) 324-8907
901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 ♦ (323) 981-6802

However, we do not support the Commission's conclusion that the following SCO adjustments were not supported:

- Reductions based on initial truancy notifications for pupils who accumulated fewer than four unexcused absences are inconsistent with the Education Code and are incorrect as a matter of law.
- Reductions based on an extrapolation of a single instance of insufficient documentation supporting that a student accumulated the required number of absences to be classified as a truant are entirely lacking in evidentiary support.

Reductions for Students Who Accumulated Fewer Than Four Unexcused Absences

The DSA states that the disallowance of notifications issued for pupils who accumulated three but not four or more absences is incorrect as a matter of law because it relies on the former definition of a truant. We disagree with this conclusion. This matter was previously addressed by the SCO in a letter dated August 21, 2015, responding to the DSA issued for an IRC filed by San Juan Unified School District (IRC 07-994133-I-05 and 10-904133-I-07). Shawn D. Silva, SCO Senior Staff Counsel, prepared the response that the Commission received on August 24, 2015 (**Tab 2**). Our comments for this IRC, as they relate to this issue, have not changed from what was included in our August 21, 2015 response. Since the issue is identical, we are resubmitting our August 21, 2015 letter containing the specifics of our disagreement with the DSA.

Support for Insufficient Documentation

The DSA notes the lack of evidence in the record supporting the audit conclusion that one of the notices included in the sample of notifications analyzed was unallowable due to insufficient documentation. We agree that the audit evidence supporting this finding was not included in the final audit report nor in our comments filed with the Commission on October 3, 2014, to the district's filed IRC.

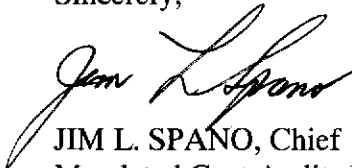
During the course of the audit, the district provided Truancy Letter Status Reports (**Tab 3**) containing information related to each student for whom the district had prepared and sent an initial notification of truancy to that student's parent or guardian. We used these reports to generate our sample list of students for further testing purposes. After selecting students for our samples, the district provided the auditor access to the district's attendance accounting system using a district computer terminal. By performing this step, the auditor was able to access the attendance records for each student in our samples to verify whether the students had accumulated the required number of absences to be classified as a truant and to also verify whether the student was under the age of six or over the age of eighteen when the unexcused absences occurred. During this testing step, the auditor noted in the audit workpapers (**Tab 4**) that the district's system contained no attendance information at all for one of the students selected.

Heather Halsey
October 12, 2015
Page 3

After completing this step, the auditor sent an email to the district's Fiscal Services Manager and the CWA Coordinator on May 1, 2009, **(Tab 5)** containing a list of 64 students with absences that did not meet the threshold for reimbursement under the mandated program. The district's CWA Coordinator responded by email on June 3, 2009, **(Tab 6)** providing additional information for 15 of the 64 students on the list. The district did not provide any additional information for us to consider concerning the one student who had no information in the district's attendance accounting system. Therefore, we based our audit finding for that student on "insufficient documentation" provided by the district to support that the student accumulated the required number of absences to be classified as a truant.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,



JIM L. SPANO, Chief
Mandated Cost Audits Bureau
Division of Audits

**RESPONSE BY THE STATE CONTROLLER’S OFFICE TO THE
COMMISSION DRAFT PROPOSED DECISION DATED SEPTEMBER 21, 2015
RELATED TO AN INCORRECT REDUCTION CLAIM (IRC) BY
RIVERSIDE UNIFIED SCHOOL DISTRICT**

**NOTIFICATION OF TRUANCY PROGRAM
Fiscal Year (FY) 2003-04, FY 2004-05, FY 2005-06, and FY 2006-07
10-904133-I-10 AND 13-9044133-I-12**

Table of Contents

<u>Description</u>	<u>Page</u>
State Controller’s Office (SCO) Response to Commission’s Draft Proposed Decision	
SCO Declaration	Tab 1
SCO Letter dated August 21, 2015 – Controller’s Comments on Draft Proposed Decision...	Tab 2
District-Provided Truancy Letter Status Reports for FY 2003-04.....	Tab 3
SCO Audit Workpaper – Review of Truancy Cases – FY 2003-04 – Period Attendance	Tab 4
Email dated May 1, 2009 to Fiscal Services Manager and CWA Coordinator	Tab 5
Email dated June 3, 2009 from CWA Coordinator Responding to May 1, 2009 Email	Tab 6

TAB 1

1 **OFFICE OF THE STATE CONTROLLER**

3301 C Street, Suite 725

2 Sacramento, CA 94816

Telephone No.: (916) 324-8907

3

BEFORE THE

4

COMMISSION ON STATE MANDATES

5

STATE OF CALIFORNIA

6

7 INCORRECT REDUCTION CLAIM ON:

No.: 10-904133-I-10 and
13-904133-I-12

8

Notification of Truancy Program

AFFIDAVIT OF BUREAU CHIEF

9

Education Code section 48260.5
Statutes 1983, Chapter 498

10

Riverside Unified School District, Claimant

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I, Jim L. Spano, make the following declarations:

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1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.

15

2) I am currently employed as a Bureau Chief, and have been so since April 21, 2000. Before that, I was employed as an Audit Manager for two years and three months.

16

3) I am a California Certified Public Accountant.

17

4) I reviewed the work performed by the SCO auditors.

18

5) Tab 2 is a copy of the letter the SCO filed with the Commission in response to a DSA issued for an incorrect reduction claim (IRC) filed by San Juan Unified School District (IRC No. 07-994133-I-05 and 10-904133-I-07).

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6) Tab 3 is a copy of Truancy Letter Status Reports provided to the SCO auditor by Riverside Unified School District containing information related to each student for which the district had prepared and sent an initial notification of truancy to that student's parent or guardian.

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7) Tab 4 is an SCO workpaper documenting that Riverside Unified School District's system contained no attendance information at all for one of the students selected (line item 140).

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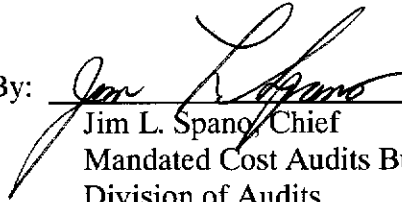
8) Tab 5 is an SCO email sent to the Riverside Unified School District's Fiscal Services Manager and the CWA Coordinator on May 1, 2009, containing a list of 64 students with absences that did not meet the threshold for reimbursement under the mandated program.

25

1 I declare that the above declarations are made under penalty of perjury and are true and correct
2 to the best of my knowledge, and that such knowledge is based on personal observation,
information, or belief.

3 Date: October 12, 2015

4 OFFICE OF THE STATE CONTROLLER

5
6 By:  _____
7 Jim L. Spang, Chief
Mandated Cost Audits Bureau
8 Division of Audits
State Controller's Office

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TAB 2



RECEIVED
August 24, 2015
*Commission on
State Mandates*

BETTY T. YEE
California State Controller

August 21, 2015

Heather Halsey, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Mr. Keith Petersen
SixTen & Associates
P.O. Box 340430
Sacramento, CA 95834-0430

Re: Controller's Comments on Draft Proposed Decision
Notification of Truancy, 07-904133-I-05 and 10-904133-I-07
Education Code Section 48260.5
Statutes 1983, Chapter 498
Fiscal Years 1999-2000 through 2001-02
San Juan Unified School District, Claimant

Dear Ms. Halsey and Mr. Petersen:

This letter constitutes this office's response to the Draft Proposed Decision (DPD) in this matter. Although we agree with the conclusion that the audit was conducted in a timely manner, we disagree with the conclusion that the notification sent upon the third absence is reimbursable. Such a conclusion is contrary to the clear language in the relevant parameters and guidelines, and the mandatory language of AB 1698 (Stats. 2007, Ch. 69). It also violates the standard process for the determination of a mandate and the amendment of parameters and guidelines. For these reasons we oppose the reinstatement of the costs associated with the notification sent upon the third absence.

The primary problem with the conclusion that the third notification is reimbursable is that this result is contrary to the plain language of AB 1698. In part that bill provides that:

[T]he Commission on State Mandates shall amend the parameters and guidelines regarding the notification of truancy ... and modify the definition of a truant ... [c]hanges made by the commission to the parameters and guidelines shall be deemed effective on July 1, 2006.

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Phone: (916) 445-2636 ♦ Fax: (916) 322-1220

The bill unambiguously provides that changes to the definition of a truant, for the purposes of the parameters and guidelines, will not become effective until July 1, 2006. Despite this clear language the DPD proceeds to retroactively amend the definition of truant to some date prior to the fiscal years audited, presumably 1995. Had the legislature desired to make the changes retroactive to 1995, they could have easily done so, but they chose not to. The DPD does not set forth any reasons for ignoring the plain language of AB 1698. In doing so it renders portions of AB 1698 surplusage, a result that is to be disfavored.¹ One possible reason is that staff believes that AB 1698 compels a result that is inconsistent with the provisions of Article XIII B, § 6. However, an administrative agency has no power to disregard a statute that they believe is unconstitutional². Since AB 1698 clearly provides that the old definition of truant is applicable until July 1, 2006, the Commission should uphold the finding of the auditors with respect to the notification upon the third absence.

The conclusion in the DPD is also contrary to the explicit language of the parameters and guidelines. The parameters and guidelines provide that “[a] truancy occurs when a student is absent from school without valid excuse more than three (3) days”.³ The DPD dismissively notes that the cited language is in the “summary,” but fails to provide any legal authority for treating it differently than other portions of the parameters and guidelines. If the summary is of no import, then the Legislature’s direction to amend it would be without any practical effect, and we cannot presume that the Legislature engages in idle acts.⁴ The DPD also goes to great lengths to label the definition of truant as “definitional” as opposed to the identified reimbursable activities, which it labels as “mandatory”. Again though, the DPD fails to cite any legal or logical authority for treating the two types of language differently. Although they contain different provisions, Education Code⁵ sections 48260 and 48260.5 are inextricably linked, without the existence of Section 48260, Section 48260.5 has no force or effect. Although not explicitly stated, the DPD essentially recommends that the Commission approve a sua sponte, retroactive amendment of the parameters and guidelines, without providing any legal authority for such an action. Not only is there no legal authority for such an amendment, but it would also be contrary to the express language of AB 1698, as noted above.

The final problem with the DPD’s approach is that it ignores the basic concepts and procedures of the mandate process. Although a statute, or executive order or regulation, creates a mandate, it is the test claim process that creates reimbursability. The legislature, in passing Government Code sections 17500 et seq., chose to place the burden on local governmental entities to establish reimbursability. Because of this process there may often be discrepancies between what a local is legally obligated to do, and what they are reimbursed for doing. The DPD asserts, without any real analysis, that the 1994

¹ *McCarthy v. Pacific Telesis Group* (2010) 48 Cal.4th 104, 110.

² California Constitution, Article III, § 3.5.

³ Parameters and guidelines, amended July 22, 1993, page 1.

⁴ *Imperial Merchant Services, Inc. v. Hunt* (2009) 47 Cal.4th 381, 390.

⁵ All further references shall be to the Education Code, unless otherwise indicated.

August 21, 2015

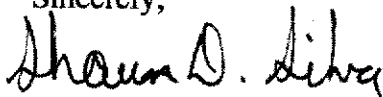
Page 3

amendment to Section 48260 [S.B. 1728 (Stats. 1994, Ch. 1023)] does not constitute a mandate as it does not require a new program or higher level of service. However, the DPD fails to state the rules for determining if it is a new program or higher level of service, and never applies the facts to those rules. In the Statement of Decision for the *Domestic Violence Background Checks* program (dated July 26, 2007), at pages 8-9, the Commission stated that:

To determine if the program is new or imposes a higher level of service, the test claim legislation must be compared with the legal requirements in effect immediately before the enactment of the test claim legislation⁶. A "higher level of service" occurs when the new "requirements were intended to provide an enhanced service to the public."⁷ Finally, the newly required activity or increased level of service must impose costs mandated by the state.⁸

Applying these rules we can clearly see that the 1994 amendment to Section 48260 created a mandate, as it imposed a higher level of service upon school districts. Before the amendment the districts only had to send the truancy notification if a pupil had four absences, but after the amendment the district had to send the notification upon the third absence. The new requirements were clearly intended to provide an enhanced service to the public as it provided for earlier notice to parents of the attendance issues of their child, allowing them to intervene earlier, and hopefully reduce the potential for future attendance problems. The increased costs are at the core of this IRC. Applying the Commission's own rules we see that the 1994 amendment to Section 48260 created a state mandate, and the only way for the claimant's to receive reimbursement therefore, would have been for them to file a test claim, which no school district ever did. Based on the above factors the Controller's Office believes that the Commission should find that the 1993 version of the parameters and guidelines applies, and therefore the reductions made were proper and in accordance with law.

Sincerely,



SHAWN D. SILVA
Senior Staff Counsel

SDS

⁶ *San Diego Unified School Dist. v. Commission on State Mandates* (2004) 33 Cal.4th 859, 878; *Lucia Mar Unified School District v. Honig* (1988) 44 Cal.3d 830, 835.

⁷ *San Diego Unified School Dist., supra*, 33 Cal.4th 859, 878.

⁸ *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 487; *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1265, 1284; Government Code sections 17514 and 17556.

TAB 3

ID#	Student	Grd	Truancy Code	Truancy Date	LNG	Truancy Comments	Truancy Visit Code	(Days Missed since last Truancy Date)		
								UNX/TRU Count	T30 Count	Period Count
111253		10	2	10/24/2003						
117508		11	1	10/24/2003				010		066
278265		12	3	01/26/2004				019		110
077277		11	2	10/24/2003			P	002		033
132023		09	3	01/26/2004	SPN		P	014		126
125892		09	1	09/26/2003				006		052
125382		09	1	11/21/2003				023		167
116535		09	1	10/24/2003				010		061
147866		11	1	10/24/2003				019		104
103220		11	1	09/26/2003				002		012
156967		09	1	01/26/2004				010		093
142153		12	2	11/21/2003			P	006		037
137101		09	2	11/21/2003	SPN			035		188
268767		09	3	01/26/2004	SPN			004		029
276395		09	4	01/26/2004			P	035		194
178335		10	3	11/21/2003			P	009		063
164680		09	1	09/26/2003			P	024		137
132763		09	1	09/26/2003				024		223
098125		09	2	11/21/2003						
112039		11	1	09/26/2003				022		130
171133		10	1	10/24/2003				010		061
134120		09	1	09/26/2003				002		020
122891		10	1	01/26/2004	SPN			002		025
287652		11	1	11/21/2003			P			001
261681		09	1	09/26/2003				019		101
109864		11	2	11/21/2003				024		225
111039		11	1	01/26/2004				003		015
160194		10	2	01/26/2004			P	007		056
160735		09	1	10/24/2003				006		048
165112		11	1	09/26/2003				009		068
105653		10	2	03/12/2004				010		078
164934		11	1	11/21/2003			P	002		019
282272		09	1	09/26/2003				001		014
112324		11	1	09/26/2003				004		037
269837		09	4	01/26/2004			P	001		018
277776		09	4	01/26/2004			P	008		054
270798		10	2	01/26/2004						
283677		09	2	01/26/2004				018		116
119475		09	2	11/21/2003				030		164
133811		09	1	11/21/2003						012
161291		09	1	10/24/2003				007		044
122306		09	1	10/24/2003				004		034
261120		12	2	10/24/2003						007
267275		09	3	11/21/2003	SPN		P	023		207
151822		09	1	09/26/2003				001		008
110365		10	2	11/21/2003				010		060
118780		09	4	01/26/2004	SPN		P	002		027
133715		09	2	01/26/2004				007		040
132839		09	4	01/26/2004			P	001		018
123372		09	1	09/26/2003						
114662		09	2	11/22/2002				004		037
260176		09	1	09/26/2003	SPN					
280204		09	4	01/26/2004				007		072
276919		10	2	11/21/2003			P	025		225
145020		09	3	11/21/2003	SPN			016		095
279513		09	2	10/24/2003	SPN		P	004		037
119037		09	2	10/24/2003	SPN			011		108
								015		111

TAB 4

Riverside Unified School District
 Notification of Truancy Program
 Review of Truancy Cases
 July 1, 2003 to June 30, 2007
 S09-MCC-034

No 3 2.03% Unallowable
 Yes 145 97.97% Allowable



FISCAL YEAR 03/04 - PERIOD

Allowable	SCHOOL	ID#	LAST NAME	FIRST NAME	GRADE LVL	All Day			T90	Note	Comments(Birthdate to check truant notification(s) per Ed. Code.
						TRU	UNX	UNX			
1	Yes	CENTRAL	141375		8	1	0	1	4	1	
2	Yes	CENTRAL	270658		8	0	0	2	6	0	
3	Yes	CENTRAL	153800		7	4	0	8	16	1	
4	Yes	CENTRAL	144345		8	1	5	4	0	0	
5	Yes	CHEMAWA	148803		7	2	12	0	16	1	
6	Yes	CHEMAWA	287658		8	3	2	0	0	0	
7	Yes	CHEMAWA	140261		8	7	24	4	2	0	
8	Yes	CHEMAWA	134947		8	4	7	0	0	0	
9	Yes	CHEMAWA	257263		8	7	4	0	0	0	
10	Yes	CHEMAWA	286530		7	6	3	0	0	0	
11	Yes	CHEMAWA	263323		7	1	6	0	0	0	
12	Yes	CHEMAWA	139707		8	5	5	0	1	0	
13	Yes	CHEMAWA	171643		8	5	2	6	2	0	
14	Yes	CHEMAWA	153228		8	6	10	12	16	0	
15	Yes	CHEMAWA	133918		7	9	4	2	3	0	
16	Yes	CHEMAWA	165015		7	0	2	0	4	3	
17	Yes	EARHART	150773		7	1	1	2	2	0	
18	Yes	EARHART	273972		8	2	2	0	3	2	
19	Yes	EARHART	147303		7	4	0	3	0	3	
20	Yes	EARHART	148586		7	1	0	1	7	0	
21	Yes	GAGE	145227		7	0	0	1	5	0	
22	Yes	GAGE	150407		7	9	3	6	0	0	
23	Yes	UNIVERSITY	148221		7	6	0	0	9	0	
24	Yes	UNIVERSITY	288969		8	6	3	0	12	0	
25	Yes	UNIVERSITY	261599		8	1	14	0	9	0	
26	Yes	UNIVERSITY	142440		8	2	18	0	3	0	
27	Yes	UNIVERSITY	282647		7	20	64	11	9	0	
28	Yes	ARLINGTON	286239		9	46	3	0	0	0	
29	Yes	ARLINGTON	268278		11	2	1	0	6	0	
30	Yes	ARLINGTON	262755		9	4	4	0	0	0	
31	Yes	ARLINGTON	277123		12	5	2	2	0	0	3/19/1986 (not counting after turning 18)
32	Yes	ARLINGTON	104026		12	25	1	2	1	0	6/20/1986 (not counting after turning 18)
33	Yes	ARLINGTON	290682		9	30	0	0	1	0	
34	Yes	ARLINGTON	120086		9	4	4	0	0	0	
35	Yes	ARLINGTON	265192		12	3	0	0	3	0	4/23/1986 (not counting after turning 18)
36	Yes	ARLINGTON	102165		12	19	1	0	3	2	8/27/1986 (was 17 entire school year)
37	Yes	ARLINGTON	169932		12	24	11	4	7	0	6/14/1986 (not counting after turning 18)
38	Yes	ARLINGTON	263032		10	28	13	2	0	0	
39	Yes	ARLINGTON	147909		9	17	8	2	2	0	
40	Yes	ARLINGTON	285314		11	8	78	0	0	0	
41	Yes	ARLINGTON	128795		9	5	2	0	0	0	
42	Yes	ARLINGTON	125669		9	5	6	0	0	0	
43	Yes	ARLINGTON	128760		9	1	4	0	1	0	
44	Yes	ARLINGTON	258869		10	5	4	0	0	0	
45	Yes	ARLINGTON	170361		12	4	5	0	0	0	5/15/1986 (not counting after turning 18)
46	Yes	ARLINGTON	122054		10	11	1	0	0	0	
47	Yes	ARLINGTON	105569		12	32	4	0	1	0	3/31/1986 (not counting after turning 18)
48	Yes	ARLINGTON	266860		9	32	16	0	7	0	
49	Yes	NORTH	257483		12	11	0	2	2	0	2/6/1986 (not counting after turning 18)
50	Yes	NORTH	285161		10	10	0	2	8	0	
51	Yes	NORTH	116046		9	13	3	2	1	0	
52	Yes	NORTH	119168		10	20	1	0	22	0	
53	Yes	NORTH	105405		12	80+	12	1	5	0	10/23/1986 (17 entire school year)
54	Yes	NORTH	114633		11	14	1	0	0	0	
55	Yes	NORTH	119143		9	5	0	1	3	1	
56	Yes	NORTH	122541		10	4	0	0	3	0	
57	Yes	NORTH	163247		10	16	17	0	19	0	
58	Yes	NORTH	112200		11	4	1	1	15	0	
59	Yes	NORTH	280040		11	70+	5	5	0	0	
60	Yes	NORTH	266876		9	2	0	4	2	0	
61	Yes	NORTH	286686		10	3	4	0	0	0	
62	Yes	NORTH	152573		11	11	15	5	2	0	
63	Yes	NORTH	285682		9	4	0	5	4	0	
64	Yes	KING	276871		12	5	0	3	2	1	11/13/1986 (17 entire school year)
65	Yes	KING	129700		9	0	0	1	3	0	
66	Yes	KING	175904		10	25+	8	0	5	1	
67	Yes	KING	106711		12	3	0	2	0	0	2/16/1986 (not counting after turning 18)
68	Yes	KING	132891		9	18	1	2	0	0	
69	Yes	KING	176059		10	8	0	1	1	0	
70	Yes	KING	250744		11	18	0	1	0	0	
71	Yes	KING	129753		9	23	4	1	0	0	
72	Yes	KING	156187		9	1	1	0	3	0	
73	Yes	KING	252850		10	16	0	5	0	0	
74	Yes	KING	105107		12	4	0	3	3	0	5/16/1986 (not counting after turning 18)
75	Yes	KING	129371		9	10	4	0	0	0	

Riverside Unified School District
 Notification of Truancy Program
 Review of Truancy Cases
 July 1, 2003 to June 30, 2007
 S09-MCC-034

No 3 2.03% Unallowable
 Yes 145 97.97% Allowable



FISCAL YEAR 03/04 - PERIOD

Allowable	SCHOOL	ID#	LAST NAME	FIRST NAME	GRADE LVL	All Day			T30	Note	Comments(Birthdate to check truant notification(s) per Ed. Code.
						TRU	UNX	UNX			
76	Yes	KING	270303		9	35+	7	1	3	0	
77	No	KING	164996		12	0	0	0	0	0	1/20/1985 (18 entire school year-had enough truanancies to qualify)
78	Yes	KING	130376		11	50	1	3	0	0	
79	Yes	KING	156680		9	4	4	7	0	0	
80	Yes	KING	132726		12	12	0	1	0	0	5/6/1986 (not counting after turning 18)
81	Yes	KING	147002		10	100+	38	0	2	0	
82	Yes	KING	118307		9	50+	0	3	0	0	
83	Yes	KING	173287		9	4	3	0	0	0	
84	Yes	KING	145091		12	28	0	12	1	0	11/13/1986 (17 entire school year)
85	Yes	KING	137692		12	25+	1	25+	5	2	10/8/1986 (17 entire school year)
86	Yes	KING	141034		9	7	2	0	1	0	
87	Yes	KING	105668		12	19	0	1	1	0	8/31/1986 (17 entire school year)
88	Yes	KING	283244		10	2	2	1	0	0	
89	Yes	KING	287554		9	12	1	13	3	0	
90	Yes	KING	119242		9	16	2	5	2	0	
91	Yes	POLY	168877		9	30	9	1	0	0	
92	Yes	POLY	120337		10	1	3	0	0	0	
93	Yes	POLY	135523		10	16	3	1	2	0	
94	Yes	POLY	132647		9	8	4	3	0	0	
95	Yes	POLY	133828		9	4	5	6	6	0	
96	Yes	POLY	172004		9	10	6	1	2	0	
97	Yes	POLY	117340		12	75+	18	4	1	0	11/15/1986 (17 entire school year)
98	Yes	POLY	123933		9	4	6	0	3	0	
99	Yes	POLY	170352		9	1	1	2	3	1	
100	Yes	POLY	138487		12	35+	1	14	4	0	5/2/1986 (not counting after turning 18)
101	Yes	POLY	282049		9	18	5	2	1	0	
102	Yes	POLY	286408		10	2	4	0	1	0	
103	Yes	POLY	120757		9	60+	21	11	5	0	
104	Yes	POLY	101420		12	30	3	0	0	0	4/14/1986 (not counting after turning 18)
105	Yes	POLY	271754		10	7	6	0	0	0	
106	Yes	POLY	129927		10	30	4	2	3	0	
107	Yes	POLY	285183		12	10	8	0	0	0	10/5/1985 (not counting after turning 18)
108	Yes	RAMONA	158068		9	7	1	1	2	0	
109	Yes	RAMONA	116153		9	39	0	4	0	3	
110	Yes	RAMONA	105941		12	2	0	3	1	0	11/22/1985 (not counting after turning 18)
111	Yes	RAMONA	266764		12	6	6	3	3	0	4/10/1986 (not counting after turning 18)
112	Yes	RAMONA	132549		9	2	9	2	0	1	
113	Yes	RAMONA	115490		9	30+	11	10	6	0	
114	Yes	RAMONA	129319		9	40+	14	0	0	0	
115	Yes	RAMONA	128685		10	13	2	0	0	0	
116	Yes	RAMONA	116477		12	50+	14	0	6	1	11/3/1986 (17 entire school year)
117	Yes	RAMONA	155654		10	16	8	1	0	0	
118	No	RAMONA	151372		12	0	0	0	0	0	8/5/1985 (18 entire school year-had enough truanancies to qualify)
119	Yes	RAMONA	263707		11	13	1	0	0	1	
120	Yes	RAMONA	280086		9	14	5	2	2	0	
121	Yes	RAMONA	132041		9	40+	13	3	0	0	
122	Yes	RAMONA	169170		11	25+	3	0	0	0	
123	Yes	RAMONA	117172		9	12	2	4	5	0	
124	Yes	RAMONA	259446		9	5	20	0	13	0	
125	Yes	RAMONA	123222		11	20	11	4	8	0	
126	Yes	RAMONA	113098		11	19	11	2	2	0	
127	Yes	RAMONA	135386		10	15	46	0	0	0	
128	Yes	RAMONA	289030		11	25	10	1	0	0	
129	Yes	RAMONA	108622		12	9	0	5	3	1	7/5/1986 (17 entire school year)
130	Yes	RAMONA	267307		10	32	10	2	1	0	
131	Yes	RAMONA	284469		9	40+	17	4	0	0	
132	Yes	RAMONA	283041		9	40+	2	0	1	0	
133	Yes	RAMONA	163220		11	10	18	2	7	0	
134	Yes	RAMONA	286794		9	25+	9	1	1	0	
135	Yes	RAMONA	260899		11	30+	1	0	0	0	
136	Yes	RAMONA	288448		9	12	0	6	0	1	
137	Yes	RAMONA	124269		9	25+	4	0	0	0	
138	Yes	RAMONA	161484		9	40+	17	0	0	0	
139	Yes	RAMONA	133715		9	23	6	0	0	0	
140	No	RAMONA	114662		9	No information in system					
141	Yes	RAMONA	119037		9	50+	31	0	0	0	
142	Yes	LINCOLN	137568		9	1	34	0	0	0	
143	Yes	LINCOLN	107815		10	100+	0	1	0	0	
144	Yes	LINCOLN	119119		9	140+	0	0	0	0	
145	Yes	LINCOLN	271577		11	88	0	6	0	0	
146	Yes	RAINCROSS	113370		9	15	0	1	0	0	
147	Yes	RAINCROSS	134686		9	15	0	0	0	0	
148	Yes	RAINCROSS	125586		9	4	0	0	0	1	

Legend: TRU (Truant), UNX (Unexcused), T30 (Tardy over 30 minutes)...only three codes used to determine truancy instance

TAB 5

Howell, Kenneth

From: Howell, Kenneth
Sent: Friday, May 01, 2009 10:51 AM
To: 'Mays, Anna'
Cc: 'Alvarez, Annette'
Subject: Riverside NOT
Attachments: Riverside NOT unallowable data.xls

Anna and Annette,

Here is the list of students with missing or incomplete information. This excel spreadsheet includes the students with absences that do not meet the threshold for reimbursement, but does *not* include the students who were 5 years old at the time of the truancy notification (or those over 18- see below). After speaking with Anna today, some of these students may have transferred mid year and have additional truancy instances uncounted. I was only looking at the student ID number, by year, for each school. I did not cross check students to other schools in the district.

Ed. Code 48200 begins with "Each person between the ages of 6 and 18 years not exempted...." I found numerous instances of 5 year old students receiving notifications based on absences prior to their 6th birthday. For those students, I began counting absences on their 6th birthday going forward. The same was true for high school students over 18 still being marked as truant. If you are able to locate additional information on these students, please let me know. I will be back in the area the week of May 11th and can return to the district office for additional review.

Thanks,

Ken Howell

Auditor
State Controller's Office
Division of Audits / Mandated Cost Audits Bureau
Office: 916-327-0490
khowell@sco.ca.gov

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<u>FISCAL YEAR 03/04 - PERIOD</u>		Grade Lvl	
RAMONA	114662	9	No Info
LINCOLN	137568	9	1 truancy
<u>FISCAL YEAR 04/05 - PERIOD</u>			
LINCOLN	116689	11	unable to locate
LINCOLN	165351	10	unable to locate
<u>FISCAL YEAR 05/06 - PERIOD</u>			
GAGE	291531	8	3 truanicies
<u>FISCAL YEAR 06/07 - PERIOD</u>			
RAINCROSS	133513	11	1 truancy

<u>FISCAL YEAR 03/04 - DAILY</u>		Grade LVL	TRU	UNX	T30
CASTLE VIEW	172256	3	1	2	0
CASTLE VIEW	153197	6	1	2	0
EMERSON	258600	4	3	0	0
FRANKLIN	255897	6	3	0	0
FREMONT	152302	6	3	0	0
GRANT	171988	4	1	0	0
HARRISON	256803	3	3	0	0
HIGHLAND	281251	5	0	0	0
HIGHLAND	160021	5	2	0	1
JEFFERSON	152715	6	2	1	0
JEFFERSON	273452	1	3	0	0
LONGFELLOW	145673	6	3	0	0
LONGFELLOW	170799	4	3	0	0
LONGFELLOW	154577	6	2	0	1
MADISON	289690	2	0	0	3
MONROE	284297	2	2	0	1
MONROE	156983	6	3	0	0
MT. VIEW	175445	4	1	0	2
PACHAPPA	257425	3	1	2	0
TAFT	281587	1	1	0	0
WOODCREST	265068	2	0	3	0
WOODCREST	268725	3	2	0	1

<u>FISCAL YEAR 04/05 - DAILY</u>					
CASTLE VIEW	297496	3	2	1	0
EMERSON	287780	1	0	0	3
FRANKLIN	173909	5	1	2	0
FRANKLIN	284212	2	2	1	0
HARRISON	282144	1	1	0	2
HARRISON	272508	2	2	0	0
HAWTHORNE	289135	5	1	2	0
HIGHGROVE	264134	3	1	2	0
HIGHGROVE	281484	6	3	0	0
HIGHGROVE	284774	1	2	1	0
HIGHGROVE	278815	3	1	2	0
JACKSON	299182	3	1	0	2
JEFFERSON	253410	6	2	0	1
JEFFERSON	278606	2	2	0	1
JEFFERSON	268197	2	0	1	1
JEFFERSON	252474	3	2	0	0
JEFFERSON	285020	3	0	0	0
LAKE MATHEWS	257499	6	0	3	0
LAKE MATHEWS	292657	1	0	3	0
LONGFELLOW	271304	3	0	0	2
MADISON	257754	4	0	0	0
MONROE	264121	3	0	0	0
MT. VIEW	280542	6	0	3	0
MT. VIEW	275562	1	0	3	0
RIVERA	275137	6	1	1	1
RIVERA	255824	4	0	2	1
TAFT	263735	2	1	0	2
VICTORIA	260128	3	1	0	2
SPECIAL ED	110494	12	?	?	?
OPPORTUNITY	153742	9	2	0	0

<u>FISCAL YEAR 05/06 - DAILY</u>					
CASTLE VIEW	282157	2	1	0	2
EMERSON	273370	2	3	0	0
FRANKLIN	300158	2	1	2	0
FRANKLIN	177669	6	3	0	0
HIGHGROVE	273647	3	2	0	1
JEFFERSON	172180	4	3	0	0
JEFFERSON	274738	5	1	0	2
JEFFERSON	301936	6	2	1	0
KENNEDY	174368	5	0	0	0
LAKE MATHEWS	284872	6	0	3	0
MADISON	268590	3	3	0	0
VICTORIA	267267	4	0	3	0
VICTORIA	267137	4	2	0	1
OPPORTUNITY	251868	11	3	0	0
OPPORTUNITY	133486	9	1	0	0

<u>FISCAL YEAR 06/07 - DAILY</u>					
ADAMS	266259	5	0	1	1
OPPORTUNITY	285806	12	No data		

TAB 6

Howell, Kenneth

From: Mays, Anna <amays@rusd.k12.ca.us>
Sent: Wednesday, June 03, 2009 11:18 AM
To: Howell, Kenneth
Cc: Alvarez, Annette; Kbpsixten@aol.com
Subject: RE: Riverside NOT

Hello Ken,

I finally had an opportunity to take a look at the list of students with missing or incomplete information. Of the 64 elementary students and 11 secondary students, I found that 15 were enrolled in other schools in the district during the year and had truancies at those schools. Most of the students on the list had three unexcused absences or tardies over 30 minutes or a combination of the two which totaled three.

I printed off student information from SASI of the 15 students who were enrolled in more than one school during the year. The printout shows the "enter" and "leave" dates and daily/period attendance for each student. Would you like me to mail this information to you? It might be too much to fax.

Anna Mays, Coordinator
Child Welfare and Attendance
(951) 352-8497, ext. 83046
Fax: (951) 274-4202

-----Original Message-----

From: KHowell@sco.ca.gov [mailto:KHowell@sco.ca.gov]
Sent: Friday, May 01, 2009 10:51 AM
To: Mays, Anna
Cc: Alvarez, Annette
Subject: Riverside NOT

Anna and Annette,

Here is the list of students with missing or incomplete information. This excel spreadsheet includes the students with absences that do not meet the threshold for reimbursement, but does *not* include the students who were 5 years old at the time of the truancy notification (or those over 18- see below). After speaking with Anna today, some of these students may have transferred mid year and have additional truancy instances uncounted. I was only looking at the student ID number, by year, for each school. I did not cross check students to other schools in the district.

Ed. Code 48200 begins with "Each person between the ages of 6 and 18 years not exempted..." I found numerous instances of 5 year old students receiving notifications based on absences prior to their 6th birthday. For those students, I began counting absences on their 6th birthday going forward. The same was true for high school students over 18 still being marked as truant. If you are able to locate additional information on these students, please let me know. I will be back in the area the week of May 11th and can return to the district office for additional review.

Thanks,

Ken Howell

Auditor
State Controller's Office
Division of Audits / Mandated Cost Audits Bureau
Office: 916-327-0490
khowell@sco.ca.gov

STATE OF CALIFORNIA

STATE MANDATED COST TEST CLAIM

SB 90-1 (2/81)

RECEIVED

AUG 25 1984

#2

BOARD OF CONTROL
926 J STREET, SUITE 300
SACRAMENTO, CA 95814
(916) 323-3562

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*(Submit FOUR COPIES of ALL ATTACHMENTS)

STATE BOARD OF CONTROL

FOR OFFICE USE ONLY
DATE FILED: 8/25/84
SB 90-

ENTITY SUBMITTING CLAIM (DO NOT ABBREVIATE) San Diego Unified School District
ADDRESS 4100 Normal Street, San Diego, CA 92103
CONTACT PERSON FOR QUESTIONS ON CLAIM: Norman E. Miller
TELEPHONE NO. (916) 446-7517
ADDRESS 1127 11th St., Suite 401, Sacramento, CA 95814

THIS CLAIM IN THE AMOUNT OF \$106,030 FOR COSTS INCURRED DURING THE 1983-84 F.Y., AND
\$ FOR COSTS INCURRED DURING THE F.Y.

IS FILED PURSUANT TO REVENUE AND TAXATION CODE SECTION 2253(B) 2253(C) 2253(D).

I. COMPLETE EITHER "A" OR "B" (NOT BOTH)

THE CLAIM IS BASED ON LEGISLATION
CHAPTER 498, STATUTES OF 1983, CHARTERED DATE 7-28-83, EFFECTIVE DATE 7-28-83
LEGISLATION CONTAINED: APPROPRIATION, DISCLAIMER, NEITHER
THE CLAIM IS BASED ON AN EXECUTIVE ORDER AS DEFINED IN SECTION 2209 OF THE REVENUE AND TAXATION CODE
PROMULGATING AGENCY, CALIF. ADMINISTRATIVE CODE TITLE AND SECTION ADDED OR AMENDED, EFFECTIVE DATE
EXECUTIVE ORDER CONTAINED: APPROPRIATION, DISCLAIMER, NEITHER
CITE THE LEGISLATIVE AUTHORITY FOR THE EXECUTIVE ORDER: Chapter Statutes of which adds or amends Section of the Code.
ENABLING STATUTE CONTAINED: APPROPRIATION, DISCLAIMER, NEITHER

II. THE FOLLOWING MUST BE PROVIDED WITH THE CLAIM*

- A. A copy of the chaptered bill or executive order which the local entity is alleging constitutes a mandate.
B. Identification of state or federal statutes or regulations and court decisions which impact the alleged mandated program, if known.

III. SUMMARY OF MANDATE AND IDENTIFICATION OF THE ALLEGED MANDATED COSTS*

A. Identify the type(s) of mandated cost contained in the chaptered bill or executive order by checking the appropriate box(s) below:

THIS BILL OR EXECUTIVE ORDER:

- MANDATES A NEW PROGRAM.
INCREASES THE LEVEL OF SERVICE OF AN EXISTING PROGRAM.
IMPLEMENTS OR INTERPRETS A FEDERAL STATUTE OR REGULATION AND, BY SUCH IMPLEMENTATION OR INTERPRETATION, INCREASES PROGRAM OR SERVICE LEVELS ABOVE THE LEVELS REQUIRED BY SUCH FEDERAL STATUTE OR REGULATION.
IMPLEMENTS OR INTERPRETS A STATUTE OR AMENDMENT ADOPTED OR ENACTED PURSUANT TO THE APPROVAL OF A STATE-WIDE BALLOT MEASURE BY THE VOTERS AND, BY SUCH IMPLEMENTATION OR INTERPRETATION, INCREASES PROGRAM OR SERVICE LEVELS ABOVE THE LEVELS REQUIRED BY SUCH BALLOT MEASURE.
REMOVES AN OPTION PREVIOUSLY AVAILABLE TO LOCAL AGENCIES AND THEREBY INCREASES PROGRAM OR SERVICE LEVELS OR PROHIBITS A SPECIFIC ACTIVITY WHICH RESULTS IN THE LOCAL AGENCIES USING A MORE COSTLY ALTERNATIVE TO PROVIDE A MANDATED PROGRAM OR SERVICE.
REQUIRES THAT AN EXISTING PROGRAM OR SERVICE BE PROVIDED IN A SHORTER TIME PERIOD AND THEREBY INCREASES THE COSTS OF SUCH PROGRAM OR SERVICE.
ADDS NEW REQUIREMENTS TO AN EXISTING OPTIONAL PROGRAM OR SERVICE AND THEREBY INCREASES THE COST OF SUCH PROGRAM OR SERVICE IF THE LOCAL AGENCIES HAVE NO REASONABLE ALTERNATIVE OTHER THAN TO CONTINUE THE OPTIONAL PROGRAM.

- B. Describe the mandated activities which result from the chaptered bill or executive order. Such description must identify all activities which result in mandated costs.
C. Provide a statement of actual and/or estimated costs, which result from the activities described above.

IV. CERTIFICATION

I DO HEREBY CERTIFY:

THAT sections 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with; and
THAT I am the person authorized by the local agency to file claims for funds with the State of California.

THAT the San Diego Unified School District (Local Entity) did not seek legislative authority, as defined in the Revenue and Taxation Code Section 2253.2(b)(1), to implement the alleged mandate.

THAT the San Diego Unified School District (Local Entity) does not have the authority to levy service charges, fees or assessments sufficient to pay for the mandated program or increased level of service of an existing program.

SIGNATURE OF AUTHORIZED REPRESENTATIVE: A. Ronald Oakes, Controller
DATE: August 20, 1984
TELEPHONE NO.: (619) 293-8205

San Diego Unified School District
Finance Department
June 5, 1984

ATTACHMENT B

Legislated Mandated Cost Test Claim Pursuant to
Chapter 498, Statutes of 1983, Education Code 48260.5 -

Summary of Estimated Costs

Develop notification format

10 hours X \$13.00 per hour \$130.00

Duplicating Forms

5,500 X \$11.50 per 1,000 63.25

Clerical (Typing, mailing, recording, filing)

Site Office

4 hours per week X \$5.54 (hourly rate) = \$22.16
\$22.16 (weekly rate) X 36 weeks = \$797.16 (annual
rate per secondary school site)
\$797.16 (annual site rate X 45 sites) = 35,899.20

District Office

4 hours per week X \$5.54 (hourly rate) 797.76

Postage for mailing notifications 1,100.00

Counselors

2 hours per week per secondary site X
\$21.00 (hourly rate) X 36 weeks = \$1,512
\$1,512 (site rate) X 45 sites 68,040.00

Total Estimated 1983-84 Costs \$106,030.21

Legislated Mandated Cost Test Claim Pursuant to
Chapter 498, Statutes of 1983, Education Code Section 48260.5

Statement of Facts

Chapter 498, Statutes of 1983 (S.B. 813) added Education Code Section 48260.5 which follows:

48260.5 Notice to parent or guardian; alternative education programs; solutions

(a) Upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian, by first-class mail or other means, of the following:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.

(b) The district also shall inform parents or guardians of the following:

1. Alternative educational programs available in the district.
2. The right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

The San Diego Unified School District has implemented a program in compliance with the mandates in Education Code Section 48260.5, thereby incurring state-mandated costs which include time to develop a new notification form, duplicating of the notification forms, clerical costs for typing, mailing, recording and filing of the notifications, first-class postage for mailing the notifications, and district counselor time impacted as a result of increased responsibilities and counseling loads.

I certify under penalty of perjury that the foregoing is true and correct of my own knowledge, except as to the matters which are therein stated as information or belief, and as to those matters I believe them to be true.

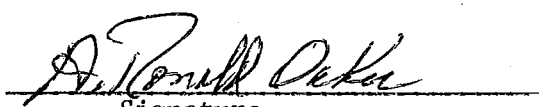
Executed this 20th day of August, 1984, at San Diego, California.
City State

STATE BOARD OF CONTROL

EXHIBIT _____

FILE NO. SB 90-4133

HEARING DATE 11-29-84


Signature

Brief Written Statement
for Adopted Mandate

Mandate: Chapter 498, Statutes of 1983
Notification of Truancy

Claimant: San Diego Unified School District

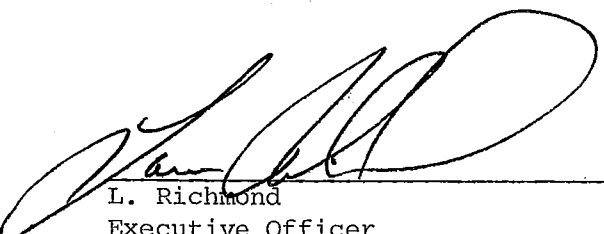
At its hearing of November 29, 1984, the State Board of Control, after receiving evidence submitted by the claimant and the Department of Finance determined that Chapter 498, Statutes of 1983 imposed reimbursable state mandated costs as defined by the Revenue and Taxation Code (RTC).

The claimant alleged that Chapter 498/83 created costs resulting from developing, preparing, and mailing truancy notification forms, and in providing newly required additional teacher/counselor time.

The claimant requested reimbursement under authority of RTC Section 2253(c). The claimant alleged a mandate as defined in RTC Section 2207(a).

The Board of Control determined that Chapter 498/83 constitutes a state mandate because it requires an increased level of service. The Board determined that the statute imposes costs by requiring school districts to develop a notification form, and provide written notice to the parents or guardians of students identified as truants of this fact. It requires that notification contain other specified information and, also, to advise the parent or guardian of their right to meet with school personnel regarding the truant pupil. The Board found these requirements to be new and not previously required of the claimant.

Adopted: 11/29/84



L. Richmond
Executive Officer

Adopted: 8/27/87
Amended: 7/28/88
Amended: 7/22/93
Amended: 1/31/08
Amended: 5/27/10

**Amendment to Parameters and Guidelines
as Directed by the Legislature**

Statutes 2007, Chapter 69 (AB 1698)

Education Code Section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

Statutes 1995, Chapter 19

Notification of Truancy

05-PGA-56 (07-PGA-01; 4133)

Effective Date: Beginning with Claims Filed for the
July 1, 2006 – June 30, 2007 Period of Reimbursement

I. BACKGROUND AND SUMMARY OF MANDATE

Chapter 498, Statutes of 1983, added Education Code Section 48260.5 which requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district, and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

Board of Control Decision

On November 29, 1984, the State Board of Control determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a

state mandated program because it requires an increased level of service by requiring specified notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

II. ELIGIBLE CLAIMANTS

The claimants are all school districts and county offices of education of the state of California, except a community college district, as defined by Government Code Section 17519 (formerly Revenue and Taxation Code 2208.5), that incur increased costs as a result of implementing the program activities of Education Code Section 48260.5, Chapter 498, Statutes of 1983.

III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

IV. REIMBURSABLE COSTS

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, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

A. Scope of Mandate

The eligible claimant shall be reimbursed for only those costs incurred for planning the notification process, revising district procedures, the printing and distribution of notification forms, and associated record keeping.

B. Reimbursable Activities

For each eligible school district the direct and indirect costs of labor, supplies, and services incurred for the following mandated program activities are reimbursable:

1. Planning and Preparation -- One-time

Planning the method of implementation, revising school district policies, and designing and printing the forms.

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

- a. That the pupil is truant.
- b. That the parent or guardian is obligated to compel the attendance of the pupil at school.
- c. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.
- d. That alternative educational programs are available in the district.
- e. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
- f. That the pupil may be subject to prosecution under Section 48264.
- g. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
- h. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

C. Uniform Cost Allowance

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance for reimbursement in lieu of payment of total actual costs incurred. The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983.

For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.

D. Unique Costs

School districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement, Pursuant to Section 1185.3, Title 2, California Code of Regulations, such requests must be made by November 30 immediately following the fiscal year of the reimbursement claim in which reimbursement for the costs is requested.

V. CLAIM PREPARATION

Each claim for reimbursement pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program.

A. Uniform Cost Allowance Reimbursement

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian. The agency must maintain documentation that indicates the total number of initial notifications of truancy distributed.

B. Recognized Unique Costs

As of fiscal year 1992-93, the Commission has not identified any circumstances which would cause a school district to incur additional costs to implement this mandate which have not already been incorporated in the uniform cost allowance.

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

School districts which incur these recognized unique costs will be required to support those actual costs in the following manner:

1. Narrative Statement of Unique Costs Incurred

Provide a detailed written explanation of the costs associated with the unique circumstances recognized by the Commission.

2. Employee Salaries and Benefits

Identify the employee(s) and their job classification, describe the mandated functions performed, and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The staff time claimed must be supported by source documentation, such as time reports, however, the average number of hours devoted to each function may be claimed if supported by a documented time study.

3. Services and Supplies

Only expenditures which can be identified as a direct cost as a result of the mandated program can be claimed. List cost of materials which have been consumed or expended specifically for the purposes of this mandated program.

4. Allowable Overhead Costs

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education. County offices of education must use the J-73A (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the State Department of Education.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

A. Uniform Allowance Reimbursement

Documentation which indicates the total number of initial notifications of truancy distributed.

B. Reimbursement of Unique Costs

In addition to maintaining the **same** documentation as required for uniform cost allowance reimbursement, all costs claimed must be traceable to source documents **and/or** worksheets that show evidence of the validity of such **costs**.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the uniform cost allowance and actual cost reimbursement for unique circumstances claimed. In addition, reimbursement for this mandated

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

program received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

IX. REQUIRED CERTIFICATION

An authorized representative of the claimant will be required to provide a certification of claim, as specified in the State Controller% claiming instructions, for those costs mandated by the state contained herein.

June 2003

Government Auditing Standards

2003 Revision

June 2003

Government Auditing Standards

2003 Revision

This revision of the standards supersedes the 1994 revision, including amendments 1 through 3. Its provisions are effective for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible.

Contents

Letter		1
<hr/>		
Chapter 1		5
Introduction	Purpose	5
	Applicability	6
	Relationship between GAGAS and Other Professional Standards	8
	Accountability	9
	Roles and Responsibilities	12
<hr/>		
Chapter 2		17
Types of Government Audits and Attestation Engagements	Introduction	17
	Financial Audits	18
	Attestation Engagements	19
	Performance Audits	21
	Nonaudit Services Provided by Audit Organizations	25
<hr/>		
Chapter 3		27
General Standards	Introduction	27
	Independence	27
	Professional Judgment	50
	Competence	52
	Quality Control and Assurance	56
<hr/>		
Chapter 4		62
Field Work Standards for Financial Audits	Introduction	62
	AICPA Field Work Standards	63
	Additional GAGAS Standards	64
	Auditor Communication	65
	Considering the Results of Previous Audits and Attestation Engagements	69

Detecting Material Misstatements Resulting from Violations of Contract Provisions or Grant Agreements, or from Abuse	70
Developing Elements of a Finding	73
Audit Documentation	74

Chapter 5 Reporting Standards for Financial Audits

Introduction	77
AICPA Reporting Standards	77
Additional GAGAS Reporting Standards for Financial Audits	78
Reporting Auditors' Compliance with GAGAS	79
Reporting on Internal Control and on Compliance with Laws, Regulations, and Provisions of Contracts or Grant Agreements	80
Reporting Deficiencies in Internal Control, Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse	82
Reporting Views of Responsible Officials	90
Reporting Privileged and Confidential Information	92
Report Issuance and Distribution	93

Chapter 6 General, Field Work, and Reporting Standards for Attestation Engagements

Introduction	96
AICPA General and Field Work Standards for Attestation Engagements	97
Additional GAGAS Field Work Standards for Attestation Engagements	98
Auditor Communication	98
Considering the Results of Previous Audits and Attestation Engagements	101
Internal Control	102
Detecting Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse That Could Have a Material Effect on the Subject Matter	104
Developing Elements of Findings for Attestation Engagements	107
Attest Documentation	108

AICPA Reporting Standards for Attestation Engagements	111
Additional GAGAS Reporting Standards for Attestation Engagements	112
Reporting Auditors' Compliance with GAGAS Reporting Deficiencies in Internal Control, Fraud, Illegal Acts, Violations of Provisions of Contracts or Grant Agreements, and Abuse	114
Reporting Views of Responsible Officials	119
Reporting Privileged and Confidential Information	121
Report Issuance and Distribution	122

Chapter 7		125
Field Work	Introduction	125
Standards for	Planning	125
Performance	Supervision	148
Audits	Evidence	148
	Audit Documentation	156

Chapter 8		159
Reporting	Introduction	159
Standards for	Form	159
Performance	Report Contents	160
Audits	Report Quality Elements	173
	Report Issuance and Distribution	177

Appendix		
Appendix I:	Advisory Council on Government Auditing Standards	180
	GAO Project Team	185

Index		186
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Abbreviations

AICPA	American Institute of Certified Public Accountants
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPA	certified public accountant
CPE	continuing professional education
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
GAGAS	generally accepted government auditing standards
GAO	U.S. General Accounting Office
MD&A	Management's Discussion and Analysis
OMB	U.S. Office of Management and Budget
SAS	AICPA Statements on Auditing Standards
SSAE	AICPA Statements on Standards for Attestation Engagements

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The concept of accountability for public resources is key in our nation's governing process and a critical element for a healthy democracy. Legislators, government officials, and the public want to know whether government services are being provided efficiently, effectively, economically, and in compliance with laws and regulations. They also want to know whether government programs are achieving their objectives and desired outcomes, and at what cost. Government managers are accountable to legislative bodies and the public for their activities and related results. Government auditing is a key element in fulfilling the government's duty to be accountable to the people. Auditing allows those parties and other stakeholders to have confidence in the reported information on the results of programs or operations, as well as in the related systems of internal control. Government auditing standards provide a framework to auditors so that their work can lead to improved government management, decision making, oversight and accountability.

These standards are broad statements of auditors' responsibilities. They provide an overall framework for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work. Auditors will face many situations in which they could best serve the public by doing work exceeding the standards' minimum requirements. As performance and accountability professionals, we should not strive just to comply with minimum standards, which represent the floor of acceptable behavior, but we need to do the right thing according to the facts and circumstances of each audit situation. I encourage auditors to seek opportunities to do additional work when and where it is appropriate, particularly in connection with testing and reporting on internal control.

This is the fourth revision of the overall standards since they were first issued in 1972. This revision of the standards supersedes the 1994 revision, including amendments 1 through 3. This revision makes changes to these standards in the following 3 areas:

- redefining the types of audits and services covered by the standards, including an expansion of the definition of performance auditing to incorporate prospective analyses and other studies and adding attestation as a separate type of audit,
- providing consistency in the field work and reporting requirements among all types of audits defined under the standards, and
- strengthening the standards and clarifying the language in areas that, by themselves, do not warrant a separate amendment to the standards.

These standards contain requirements for auditor reporting on internal control, but they do not require the auditor to render an opinion on internal control. Nevertheless, I encourage auditors to evaluate those situations where they are reporting on internal control to determine whether providing an opinion on internal control would add value and be cost beneficial based on related risks. The Sarbanes-Oxley Act requires private sector auditors to attest to and report on the assessment made by management of each publicly traded company on the effectiveness of internal control over financial reporting. GAO strongly believes that auditor reporting on internal control is a critical component of monitoring the effectiveness of an organization's risk management and accountability systems. Auditors can better serve their clients and other financial statement users and better protect the public interest by having a greater role in providing assurances over the effectiveness of internal control in deterring fraudulent financial reporting, protecting assets, and providing an early

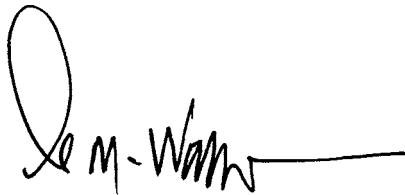
warning of emerging problems. We believe auditor reporting on internal control is appropriate and necessary for publicly traded companies and major public entities. We also believe that such reporting is appropriate in other cases where management assessment and auditor examination and reporting on the effectiveness of internal control add value and mitigate risk in a cost beneficial manner. In this regard, GAO seeks to lead by example in establishing the appropriate level of auditor reporting on internal control for federal agencies, programs, and entities receiving significant amounts of federal funding. In fact, we already provide opinions on internal control for all our major federal audit clients, including the consolidated financial statements of the U.S. Government.

Because of the breadth of the fourth revision to the overall standards, any new standards are applicable for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible and encouraged. An electronic version of these standards can be accessed on the Web at www.gao.gov/govaud/ybk01.htm. We have also posted a listing of the major changes from the 1994 Revision to this Web site. Printed copies can be obtained from the U.S. Government Printing Office.

This revision of the standards currently incorporates the field work and the reporting standards issued by the American Institute of Certified Public Accountants (AICPA). The Sarbanes-Oxley Act gives the Public Company Accounting Oversight Board (PCAOB) the authority to set auditing standards to be used by registered public accounting firms in the preparation and issuance of audit reports for publicly traded companies. As the PCAOB promulgates auditing standards for audits of these entities, GAO will continue to closely monitor the actions of both standard setting bodies and will issue clarifying guidance as necessary on

the incorporation of future standards set by either standard setting body.

This revision has gone through an extensive deliberative process including extensive public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards, which includes 21 experts in financial and performance auditing and reporting drawn from all levels of government, academia, private enterprise, and public accounting. The views of all parties were thoroughly considered in finalizing the standards. I thank those who commented and suggested improvements to the standards. I especially commend the Advisory Council on Government Auditing Standards and the GAO project team for important contributions to this revision.

A handwritten signature in black ink that reads "D. M. Walker". The signature is stylized with a large, looped initial "D" and a horizontal line extending from the end of the name.

David M. Walker
Comptroller General
of the United States

June 2003

Sufficient, competent, and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.

7.49 A large part of auditors' work on an audit concerns obtaining and evaluating evidence that ultimately supports their judgments and conclusions pertaining to the audit objectives. In evaluating evidence, auditors consider whether they have obtained the evidence necessary to achieve specific audit objectives. When internal control or compliance requirements are significant to the audit objectives, auditors should also collect and evaluate evidence relating to controls or compliance.

7.50 Evidence may be categorized as physical, documentary, testimonial, and analytical. Physical evidence is obtained by auditors' direct inspection or observation of people, property, or events. Such evidence may be documented in memoranda, photographs, drawings, charts, maps, or physical samples. Documentary evidence consists of created information such as letters, contracts, accounting records, invoices, and management information on performance. Testimonial evidence is obtained through inquiries, interviews, or questionnaires. Analytical evidence includes computations, comparisons, separation of information into components, and rational arguments.

7.51 The guidance in the following paragraphs is intended to help auditors judge the quality and quantity of evidence needed to satisfy audit objectives. Paragraphs 7.52 through 7.61 are intended to help auditors determine what constitutes sufficient, competent, and relevant evidence to support their findings and conclusions. Paragraphs 7.62 through 7.65 describe the elements of an audit finding.

Tests of Evidence

7.52 Evidence should be sufficient, competent, and relevant to support a sound basis for audit findings, conclusions, and recommendations:

a. Evidence should be sufficient to support the auditors' findings. In determining the sufficiency of evidence, auditors should ensure that enough evidence exists to persuade a knowledgeable person of the validity of the findings. When appropriate, statistical methods may be used to establish sufficiency.

b. Evidence is competent if it is valid, reliable, and consistent with fact. In assessing the competence of evidence, auditors should consider such factors as whether the evidence is accurate, authoritative, timely, and authentic. When appropriate, auditors may use statistical methods to derive competent evidence.

c. Evidence is relevant if it has a logical relationship with, and importance to, the issue being addressed.

7.53 The following presumptions are useful in judging the competence of evidence. However, these presumptions are not to be considered sufficient in themselves to determine competence. The amount and kinds of evidence required to support auditors' conclusions should be based on auditors' professional judgment.

a. Evidence obtained when internal controls are effective is more competent than evidence obtained when controls are weak or nonexistent. Auditors should be particularly careful in cases where controls are weak or nonexistent and should, therefore, plan alternative audit procedures to corroborate such evidence.

b. Evidence obtained through the auditors' direct physical examination, observation, computation, and



JOHN CHIANG
California State Controller

July 17, 2007

RE: Passage of AB 1698 (ENG) Fixing the Truancy Mandate

Dear School District:

I am writing to share the very good news that AB 1698 (Eng) has been chaptered and a decade-long discrepancy affecting administration of the Notification of Truancy mandate has been rectified.

The Notification of Truancy mandate established a higher level of service for school districts to apprise parents of truant pupils. In the mid-1990's, this mandate statute was amended to broaden the notification requirements and definition of truant. When the three-year statute of limitations for the Commission on State Mandates (COSM) to change the Parameters and Guidelines ("Ps and Gs") elapsed without an update, the discrepancy could only be fixed through statute.

As the sponsor of this bill, I sought to direct the COSM to align the Ps and Gs with statute. Without this clarification, my auditors have been forced to disregard the statute declaring that parental notifications should occur at three absences and include eight specific pieces of information, as opposed to the four absences and five pieces of information specified in the Ps and Gs.

AB 1698 will ensure that all schools who notify parents when three unexcused absences accrue are appropriately reimbursed for their efforts.

It is unfortunate that a misalignment of Ps and Gs and statute took more than a decade to correct. As your State Controller, you have my assurance that I will continue to pursue the removal of bureaucratic obstacles to appropriate and on-time payment.

School District
July 18, 2007
Page 2

I hope we can work together again on common sense solutions to outdated or unworkable mandate processes.

Sincerely,

Original Signed By

JOHN CHIANG
California State Controller

cc: The Honorable Mike Eng

BILL ANALYSIS

AB 1698
Page 1

Date of Hearing: April 25, 2007

ASSEMBLY COMMITTEE ON EDUCATION
Gene Mullin, Chair
AB 1698 (Eng) - As Amended: April 18, 2007

SUBJECT : Truancy: state mandate

SUMMARY : Requires, by January 31, 2008, the Commission on State Mandates (commission) to amend the parameters and guidelines regarding the notification of truancy, and modify the definition of a truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities. Specifically, this bill :

- 1) Requires the State Controller, upon revision of the parameters and guidelines, to revise the appropriate claiming instructions to be consistent with the revised parameters and guidelines.
- 2) Deems changes made by the commission to the parameters and guidelines effective on July 1, 2006.
- 3) Provides that this act does not confer upon the commission the authority to amend the adopted uniform cost allowance.

EXISTING LAW

- 1) Requires the state to reimburse local agencies and school districts whenever the Legislature or a state agency mandates a new program or higher level of service on the local agencies or school districts.
- 2) Establishes procedures for local agencies to file a test claim for reimbursement of these costs with the Commission on State Mandates.
- 3) Authorizes the commission to order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. This authority expires 30 days after the statement of decision is delivered or mailed to the claimant.

FISCAL EFFECT : Unknown

COMMENTS : This bill is sponsored by the State Controller.

AB 1698
Page 2

The Notification of Truancy program created an increased level of service for school districts, in which the Commission on State Mandates determined was a reimbursable mandated program.

In 1995, SB 102 (Hughes) Chapter 19, Statutes of 1995, changed the definition of a truant student from four days to three full days of absences. Additionally, it included students who were absent from school for more than thirty minutes as absent.

However, the commission's parameters and guidelines still define truancy as four or more days of absences. The commission is no longer able to update the definition of truancy due to one-year statute of limitations on revisions following amending statute. Consequently, the commission can only modify these parameters and guidelines through legislation directing the commission to amend their parameters and guidelines.

The State Controller's Office distributes the reimbursements to the school districts as well as audit the reimbursement claims. The school districts must adhere to state statute, nevertheless, the State Controller uses the commission's parameters and guidelines to conduct the audits. This discrepancy forces the State Controller's Office to request school districts to return the reimbursements even though the districts have been following the law.

Over the past two and half years, only \$30,000 has been returned from the school districts to the State Controller's Office.

REGISTERED SUPPORT / OPPOSITION :

Support

Education Mandated Cost Network

Opposition

None on file.

Analysis Prepared by : Marisol Avila / ED. / (916) 319-2087

BAKERSFIELD CITY SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2007, through June 30, 2010



JOHN CHIANG
California State Controller

October 2012



JOHN CHIANG
California State Controller

October 25, 2012

Bill McDougle, President
Board of Education
Bakersfield City School District
1300 Baker Street
Bakersfield, CA 93305

Dear Mr. McDougle:

The State Controller's Office audited the costs claimed by the Bakersfield City School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$533,320 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

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: Robert J. Arias, Ed.D., Superintendent
Bakersfield City School District
Steve McClain, Chief Business Official, Business Services
Bakersfield City School District
Sherry Gladin, Director, Fiscal Services
Bakersfield City School District
Mary Little, President, Board of Education
Kern County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Bakersfield City School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$533,320 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2007, through June 30, 2010.

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.

Conclusion

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Finding and Recommendation section of this report.

For the audit period, the Bakersfield City School District claimed \$533,320 for costs of the Notification of Truancy Program. Our audit disclosed that the claimed costs are allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on September 28, 2012. Sherry Gladin, Director, Fiscal Services, responded by letter dated October 10, 2012 (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 the Bakersfield City School District, the Kern 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

October 25, 2012

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2010**

Cost Elements	Actual Costs Claimed and Allowable Per Audit
<u>July 1, 2007, through June 30, 2008</u>	
Number of initial truancy notifications	9,804
Uniform cost allowance	× \$ 17.28
Total program costs	\$ 169,413
Less amount paid by the State	(5)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 169,408</u>
<u>July 1, 2008, through June 30, 2009</u>	
Number of initial truancy notifications	10,019
Uniform cost allowance	× \$ 17.74
Total program costs	\$ 177,737
Less amount paid by the State	(40,273)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 137,464</u>
<u>July 1, 2009, through June 30, 2010</u>	
Number of initial truancy notifications	10,418
Uniform cost allowance	× \$ 17.87
Total program costs	\$ 186,170
Less amount paid by the State	(36,567)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 149,603</u>
<u>Summary: July 1, 2007, through June 30, 2010</u>	
Total program costs	\$ 533,320
Less amount paid by the State	(76,845)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 456,475</u>

Finding and Recommendation

**FINDING—
Noncompliance with
initial truancy
notification distribution
procedures**

The district did not comply with its stated procedures for documenting and distributing initial truancy notifications. There are no unallowable costs associated with this finding.

During audit fieldwork, the district identified its initial truancy notification distribution procedures. The district used an attendance software system to track and summarize student attendance. Individual schools distributed initial truancy notifications to students' parents or guardians. The district stated that schools were required to manually update the attendance software system to identify the initial truancy notification date *before* notifications were actually mailed to the student's parent or guardian.

To support the number of initial truancy notifications claimed, the district provided summary reports from its attendance software system. The summary reports identified those students for whom the district distributed initial truancy notifications. However, the summary reports included notifications for which no distribution date was identified. The following table summarizes the number of undated notifications identified from the attendance software system for each fiscal year:

<u>Fiscal Year</u>	<u>Undated Notifications</u>
2007-08	1,870
2008-09	2,250
2009-10	2,450

We requested that the district provide corroborating documentation to validate that school sites actually distributed the undated notifications to students' parents or guardians. We selected a random sample of 40 undated notifications from FY 2009-10 and asked the district to provide copies of the notifications prepared and distributed. In response, the district provided copies for only 13 of the 40 notifications requested. The district stated that school sites did not provide documentation for 11 notifications. The district stated that it could not retrieve the remaining 16 notifications because the students had left the district and the students' files were forwarded to the students' new districts.

In comments dated May 31, 2012, the district attributed the undated notifications to a "clerical issue." The district stated that it is working with its school sites to correct the issue.

The parameters and guidelines state that districts may claim only actual costs. The parameters and guidelines state, "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." The parameters and guidelines also state that the district must "maintain documentation that indicates the total number of initial notifications of truancy distributed."

Recommendation

We recommend that the district ensure that individual school sites update the district's attendance software system by identifying the initial truancy notification date before the notification is mailed to the student's parent or guardian.

District's Response

The district agreed with the audit finding. The district identified various actions that it has taken in response to the audit finding. Please refer to the district's response (Attachment) for further information.

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

BAKERSFIELD CITY SCHOOL DISTRICT

Fiscal Services
1300 Baker Street
Bakersfield, CA 93305-4326
(661) 631-4697

Sherry Gladin, Director
gladins@bcsd.com

Natalie Sorhouet, Assistant Director
sorhouetn@bcsd.com

EDUCATION CENTER, 1300 BAKER STREET
BAKERSFIELD, CALIFORNIA 93305-4326
(661) 631-4600
FAX: (661) 322-1244



October 10, 2012

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

Re: Audit of Notification of Truancy Program Mandated Costs Claims

Dear Mr. Spano,

Bakersfield City School District has received the State Controller's Office's draft report for the audit of our mandated cost claims submitted for the Notification of Truancy Program during the period of July 1, 2007 – June 30, 2010.

The District agrees with the findings outlined within the report.

The District wishes to provide the following response for inclusion in the final audit report:

The District has taken the following actions to help staff implement the legislatively mandated Notification of Truancy Program: (1) two professional development sessions were provided for all District schools which included required documentation of truancy notifications; (2) written guidance was provided to all school site principals and site truancy coordinators summarizing the required truancy notification distribution procedures; (3) the District maintains a computer program which automatically generates truancy letters and allows school staff to enter in the dates when truancy letters were mailed and filed; (4) reports can be run from the electronic system showing the students who are truant and whether the notification has been sent; and (5) the immediate supervisor of each principal has been asked to check on the delivery and posting of the truancy program notifications.

The District will continue to provide training and guidance to the school sites on this subject on an annual basis.

If you have any questions, please contact me at (661) 631-4696.

Sincerely,

Sherry Gladin
Director, Fiscal Services

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

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

CLOVIS UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2006, through June 30, 2009



JOHN CHIANG
California State Controller

January 2012



JOHN CHIANG
California State Controller

January 31, 2012

Jim Van Volkinburg, D.D.S., President
Governing Board
Clovis Unified School District
1450 Herndon Avenue
Clovis, CA 93611

Dear Dr. Volkinburg:

The State Controller's Office audited the costs claimed by the Clovis Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$818,587 for the mandated program. Our audit disclosed that \$694,615 is allowable and \$123,972 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$113,847. The State will pay allowable costs claimed that exceed the amount paid, totaling \$580,768, 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/bf

cc: Janet Young, Ed.D., Superintendent
Clovis Unified School District
Michael Johnston, Assistant Superintendent
Business Services
Clovis Unified School District
Pat Kraft, Director
Budget and Facilities Accounting
Clovis Unified School District
Joni Eisner, Mandated Costs Coordinator
Clovis Unified School District
Larry L. Powell, Superintendent of Schools
Fresno County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Clovis Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1 2006, through June 30 2009.

The district claimed \$818,587 for the mandated program. Our audit disclosed that \$694,615 is allowable and \$123,972 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$113,847. The State will pay allowable costs claimed that exceed the amount paid, totaling \$580,768, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984 the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. 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 Notification of Truancy Program for the period of July 1, 2006, through June 30, 2009.

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.

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, Clovis Unified School District claimed \$818,587 for costs of the Notification of Truancy Program. Our audit disclosed that \$694,615 is allowable and \$123,972 is unallowable.

The State paid the district \$113,847. Our audit disclosed that \$694,615 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$580,768, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on December 14, 2011. On January 9, 2012, we received an e-mail from Joni Eisner, Mandated Costs Coordinator, stating that the district would not respond to the draft audit report.

Restricted Use

This report is solely for the information and use of Clovis Unified School District, the Fresno 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

January 31, 2012

**Schedule 1—
Summary of Program Costs
July 1, 2006, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	16,734	15,344	(1,390)	Findings 1, 2
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Subtotal	270,254	247,806	(22,448)	
Noncompliant initial truancy notifications	-	(61,952)	(61,952)	Finding 3
Total program costs	<u>\$ 270,254</u>	185,854	<u>\$ (84,400)</u>	
Less amount paid by the State		<u>(53,706)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 132,148</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	16,374	14,896	(1,478)	Finding 2
Uniform cost allowance	x \$17.28	x \$17.28	x \$17.28	
Total program costs	<u>\$ 282,943</u>	257,403	<u>\$ (25,540)</u>	
Less amount paid by the State		<u>(8)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 257,395</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	14,960	14,169	(791)	Finding 2
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Total program costs	<u>\$ 265,390</u>	251,358	<u>\$ (14,032)</u>	
Less amount paid by the State		<u>(60,133)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 191,225</u>		
<u>Summary: July 1, 2006, through June 30, 2009</u>				
Total program costs	<u>\$ 818,587</u>	694,615	<u>\$ (123,972)</u>	
Less amount paid by the State		<u>(113,847)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 580,768</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated allowable
initial truancy
notifications**

For fiscal year (FY) 2006-07, the district overstated the number of allowable initial truancy notifications distributed. As a result, the district claimed unallowable costs totaling \$5,184.

The district provided a list of students for whom it distributed initial truancy notifications. The number of initial truancy notifications documented did not agree with the number of notifications claimed.

The following table details the audit adjustment:

	Fiscal Year 2006-07
Number of notifications documented	16,413
Less number of notifications claimed	<u>(16,734)</u>
Overstated number of notifications	(321)
Uniform cost allowance	<u>x \$16.15</u>
Audit adjustment	<u>\$ (5,184)</u>

The program’s parameters and guidelines instruct claimants to claim mandate-related costs by reporting the number of initial truancy notifications distributed during the year. They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year.

**FINDING 2—
Non-reimbursable initial
truancy notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$56,836. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded notifications distributed for Clovis Community Elementary Day School students from the population used to select our sample and extrapolate the sample results. We excluded five notifications for FY 2007-08 and eight notifications for FY 2008-09.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2006-07	2007-08	2008-09
Daily attendance accounting:			
Documented notifications	4,517	4,615	4,171
Number of notifications excluded	-	(5)	(8)
Total notifications sampled, daily attendance accounting	<u>4,517</u>	<u>4,610</u>	<u>4,163</u>
Total notifications sampled, period attendance accounting	<u>11,896</u>	<u>11,759</u>	<u>10,789</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group.

Some initial truancy notifications the district claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical sample:

	Fiscal Year		
	2006-07	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(23)	(11)	(24)
Fewer than three total	<u>(1)</u>	<u>(8)</u>	<u>(1)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(24)</u>	<u>(19)</u>	<u>(25)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	(3)	(7)	(1)
Fewer than three total	<u>(1)</u>	<u>(4)</u>	<u>-</u>
Unallowable initial turancy notifications, period attendance accounting	<u>(4)</u>	<u>(11)</u>	<u>(1)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(24)	(19)	(25)	
Statistical sample size	÷ 145	÷ 145	÷ 145	
Unallowable percentage	(16.55)%	(13.10)%	(17.24)%	
Population sampled	x 4,517	x 4,610	x 4,163	
Extrapolated number of unallowable initial truancy notifications	(748)	(604)	(718)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Unallowable costs, daily attendance accounting	\$ (12,080)	\$ (10,437)	\$ (12,737)	\$ (35,254)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(4)	(11)	(1)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(2.70)%	(7.43)%	(0.68)%	
Population sampled	x 11,896	x 11,759	x 10,789	
Extrapolated number of unallowable initial truancy notifications	(321)	(874)	(73)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Unallowable costs, period attendance accounting	\$ (5,184)	\$ (15,103)	\$ (1,295)	\$ (21,582)
Audit adjustment	\$ (17,264)	\$ (25,540)	\$ (14,032)	\$ (56,836)

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student’s 6th birthday or after the student’s 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$61,952 for FY 2006-07. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet the obligation specified in item 2 may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed notifications that included only items one through six above. Therefore, we allowed only 75% of the unit cost allowance for each allowable notification.

The following table summarizes the audit adjustment:

	Fiscal Year 2006-07
Number of notifications documented	16,413
Less unallowable daily attendance notifications (Finding 2)	(748)
Less unallowable period attendance notifications (Finding 2)	<u>(321)</u>
Allowable initial truancy notifications	15,344
Uniform cost allowance	<u>x \$16.15</u>
Subtotal	\$ 247,806
Unallowable percentage	<u>x (25)%</u>
Audit adjustment	<u><u>\$ (61,952)</u></u>

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.

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

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

COLTON JOINT UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

November 2003



STEVE WESTLY
California State Controller

November 26, 2003

Dennis D. Byas, Superintendent
Colton Joint Unified School District
1212 Valencia Drive
Colton, CA 92324

Dear Mr. Byas:

The State Controller's Office has completed an audit of the claims filed by Colton Joint Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$438,174 for the mandated program. Our audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$357,568. The total amount paid should be returned to the State.

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

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy Controller, Finance

WB:jj

cc: (See page 2)

cc: David Capelouto

Assistant Superintendent of Business Services

Colton Joint Unified 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, Educational Consultant

School Fiscal Services Division

California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit

Department of Finance

Charles Pillsbury

School Apportionment Specialist

Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Colton Joint Unified School District, for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was June 17, 2003.

The district claimed \$438,174 for the mandated program. The audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$357,568. The total amount paid should be returned to the State.

Background

The State enacted Chapter 498, Statutes of 1983, requiring special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) the parent or guardian's obligation to compel the attendance of the pupil at school; and (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution.

In addition, the legislation requires the district to inform parents and guardians of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1984, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The auditors performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are shown in the accompanying Summary of Program Costs (Schedule 1), and described in the Findings and Recommendations section of this report.

For the audit period, the Colton Joint Unified School District claimed \$438,174 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$139,593 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$139,593, should be returned to the State.

For FY 2000-01, the district was paid \$111,755 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$111,755, should be returned to the State.

For FY 2001-02, the district was paid \$106,220 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$106,220, should be returned to the State.

**Views of
Responsible
Official**

The SCO issued a draft audit report on September 24, 2003. Janna Waller, Director of Fiscal Services and Risk Management, responded through a telephone conversation on November 3, 2003, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Colton Joint Unified 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, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Number of initial notifications	\$ 11,414	\$ —	\$ (11,414)	Findings 1, 2
Uniform cost allowance	<u>12.23</u>	<u>12.23</u>	<u>12.23</u>	
Total costs	<u>\$ 139,593</u>	—	<u>\$(139,593)</u>	
Less amount paid by the State		<u>(139,593)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(139,593)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial notifications	\$ 11,415	\$ —	\$ (11,415)	Findings 1, 2
Uniform cost allowance	<u>12.73</u>	<u>12.73</u>	<u>12.73</u>	
Total costs	<u>\$ 145,313</u>	—	<u>\$(145,313)</u>	
Less amount paid by the State		<u>(111,755)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(111,755)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial notifications	\$ 11,872	\$ —	\$ (11,872)	Findings 1, 2
Uniform cost allowance	<u>12.91</u>	<u>12.91</u>	<u>12.91</u>	
Total costs	<u>\$ 153,268</u>	—	<u>\$(153,268)</u>	
Less amount paid by the State		<u>(106,220)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(106,220)</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total costs	<u>\$ 438,174</u>	—	<u>\$(438,174)</u>	
Less amount paid by the State		<u>(357,568)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(357,568)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overclaimed number of initial truancies

The district claimed 3,507 initial truancies, totaling \$44,094, that were not supported by its attendance records for the period of July 1, 1999, through June 30, 2002.

The auditors were not able to reconcile the total number of initial truancy notification forms claimed for each fiscal year of audit to students who were truant based on attendance records. Consequently, the auditors used the district's ATT 656 printouts to identify the population of the initial truancies. The district was unable to explain the differences between the notifications claimed and the totals of initial truancies identified in the ATT 656 printouts. The variances for these students are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Truancies per the district's attendance records	9,889	10,606	10,699	31,194
Truancies claimed	<u>(11,414)</u>	<u>(11,415)</u>	<u>(11,872)</u>	<u>(34,701)</u>
Differences	<u>(1,525)</u>	<u>(809)</u>	<u>(1,173)</u>	<u>(3,507)</u>

Consequently, the unsupported number of initial truancies claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Unsupported initial truancy notifications claimed	(1,525)	(809)	(1,173)	<u>(3,507)</u>
Uniform cost allowance	<u>\$ 12.23</u>	<u>\$ 12.73</u>	<u>\$ 12.91</u>	
Totals	<u>\$ 18,651</u>	<u>\$ 10,299</u>	<u>\$ 15,144</u>	<u>\$ 44,094</u>

Parameters and Guidelines, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . ."

Parameters and Guidelines, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

Recommendation

The district should establish policies and procedures to ensure that all costs claimed are supported.

**FINDING 2—
Unallowable costs
relating to initial
truancies**

The district claimed the costs for 31,194 truancies, according to the district's attendance records, that were not supported by the distribution of initial truancy notification forms, totaling \$394,080, for the period of July 1, 1999, through June 30, 2002.

From the total population of truancies each year from the district's attendance reports (see Finding 1), the auditors selected a statistical sample based on a 95% confidence level with a precision rate of 8% and an expected error rate of 50%. The auditors attempted to verify whether initial truancy notifications containing five required elements were distributed to the pupil's parent or guardian. The review of the letters provided by the district found that the letters were absence reports which identified the student's name, but did not contain any of the five required elements.

For FY 1999-2000, the auditor randomly selected 148 truancies from a population of 9,889 for verification. The district provided ten letters for review. Only six of the ten letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 142 notifications from the sample.

For FY 2000-01, the auditor randomly selected 148 truancies from a population of 10,606 for verification. The district provided 20 letters for review. Only 6 of the 20 letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 142 notifications from the sample.

For FY 2001-02, the auditor randomly selected 148 truancies from a population of 10,699. The district provided 28 letters for review. Only 8 of the 28 letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 140 notifications from the sample.

The current Assistant Superintendent of Business Services and the Director of Fiscal Services were unable to provide any documentation supporting the truancies claimed. Consequently, the unallowable number of initial truancies claimed, at the uniform cost allowance rate, described in the *Parameters and Guidelines* are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Unallowable initial truancy notifications claimed	(9,889)	(10,606)	(10,699)	<u>(31,194)</u>
Uniform cost allowance	<u>\$ 12.23</u>	<u>\$ 12.73</u>	<u>\$ 12.91</u>	
Totals	<u>\$120,942</u>	<u>\$135,014</u>	<u>\$138,124</u>	<u>\$394,080</u>

Twenty-one school sites were visited during the review of FY 1999-2000 and FY 2000-01 initial truancy notifications. Attendance clerks and administrators of the school sites visited identified various reasons for not distributing the initial truancy notification forms containing the five required elements identified in *Parameters and Guidelines*. The review disclosed the following:

- At all school sites visited, the attendance clerks were not aware of the existence of the mandate or proper guidelines for reporting initial truancy notifications;
- At 14 of the school sites, the persons interviewed were not the attendance clerks or administrators during the review periods and thus were not able to locate the records;
- At 17 of the school sites, the attendance clerks did not send letters or notifications to parents or guardians during FY 1999-2000 through FY 2001-02. However, they provided the sample letters that were sent out for various stages of absenteeism and tardiness.
- At two of the school sites, the attendance clerks stated that records for the review period were discarded.
- At two of the school sites, the attendance clerks stated that parents or guardians were contacted through other means such as telephone calls and home visits rather than notification letters sent to the parents or guardians. However, no documentation was provided to support this statement.

The auditor reviewed telephone logs and attendance records, though they are not support for reimbursable costs, to gain an understanding of the district's process of notifying a pupil's parent or guardian of the required five elements. These records did not support that the required elements were discussed with the pupil's parent or guardian. Furthermore, *Parameters and Guidelines* requires the district to document the five specified elements on the form that is distributed to the pupil's parent or guardian.

Subsequent to the audit period, the district developed a Child Welfare and Attendance manual that addresses the initial truancy notification requirements. However, the attendance clerks at the school sites visited indicated that they were not aware of the manual.

Parameters and Guidelines, adopted by the State Board of Control on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil's parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Parameters and Guidelines, Section I., requires, “. . . school districts, upon the pupil’s initial classification as a truant, to notify the pupil’s parent or guardian by first-class mail or other reasonable means, of (1) the pupil truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.”

Furthermore, the guidelines state, “. . . district must inform parents and guardians of (1) alternative education programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.”

Parameters and Guidelines, Section V.A., states, “The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . .”

Parameters and Guidelines, Section V.B.1., states that the claimant shall be reimbursed for “Planning the method of implementation, revising school district policies, and designing and printing the forms.”

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

Parameters and Guidelines, Section V.C., states, “The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.”

Parameters and Guidelines, Section VII., states, “For audit purpose, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .”

Recommendation

The district should establish policies and procedures to ensure that all costs claimed are supported. In addition, the district should ensure that its Child Welfare and Attendance manual is communicated to the attendance clerks and implemented.

Although *Parameters and Guidelines* requires only five specified elements to be subject to reimbursements, *Education Code* Section 48260.5 requires the form to contain eight specified elements.

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

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

COMPTON UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1998, through June 30, 2001



STEVE WESTLY
California State Controller

August 2003



STEVE WESTLY
California State Controller

August 6, 2003

Jesse L. Gonzales, Ph.D.
Superintendent
Compton Unified School District
640 South Tamarind Avenue
Compton, CA 90220

Dear Dr. Gonzales:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001.

The district claimed \$615,945 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. The total amount paid should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

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

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy State Controller, Finance

WB:ams

cc: (See Page 2)

cc: Teresa A. Santamaria
Associate Superintendent
Business and Administrative Services
Compton Unified School District
Erlinda Martinez
Associate Superintendent
Curriculum Design and Instructional Improvement
Compton Unified School District
Joe C. Buenavista, Ed.D.
Senior Director, Pupil Services
Compton Unified School District
Darline P. Robles, Ph.D.
Los Angeles County Superintendent of Schools
Los Angeles County Office of Education
John Conshafter
Internal Compliance Auditor
MCS Education Services
Janet Sterling, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Manager
School Fiscal Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance
Charles Pillsbury
School Apportionment Specialist
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Findings and Recommendations	4
Schedule 1—Summary of Program Costs	9
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001. The last day of fieldwork was February 14, 2003.

The district claimed \$615,945 for the mandated program. The audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. Consequently, the total amount paid should be returned to the State.

Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

In addition, the legislation requires the district to inform the parent or guardian of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

The *Parameters and Guidelines* adopted by the Commission on State Mandates establish the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies to claim reimbursable costs.

Objective, Scope, and Methodology

The objective of the audit was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983), for the period of July 1, 1998, through June 30, 2001.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the Findings and Recommendations section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the district claimed \$615,945 and was paid \$497,865 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the claimed costs is allowable; therefore, \$615,945 is unallowable.

For fiscal year (FY) 1998-99, the district was paid \$173,546 by the State. The audit disclosed that none of the costs is allowable; therefore, \$173,546 should be returned to the State.

For FY 1999-2000, the district was paid \$180,123 by the State. The audit disclosed that none of the costs is allowable; therefore, \$180,123 should be returned to the State.

For FY 2000-01, the district was paid \$144,196 by the State. The audit disclosed that none of the costs is allowable; therefore, \$144,196 should be returned to the State.

**Views of
Responsible
Official**

The SCO issued a draft audit report on April 30, 2003. Teresa Santamaria, Associate Superintendent, responded by the attached letter dated June 6, 2003, disagreeing with the audit results presented in Finding 1 and agreeing to not contest the audit results presented in Finding 2. The district's response is included in this final audit report.

Restricted Use

This report is solely for the information and use of the Compton 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

Findings and Recommendations

FINDING 1— Overclaimed number of initial truancy notification forms distributed

The district claimed costs for initial truancy notification forms distributed to (truant) pupils that were not supported, totaling \$610,071 during the audit period. This amount is net of the ineligible activities claimed for independent study students discussed in Finding 2.

The district identified the total number of initial truancy notification forms claimed by school sites, but was unable to reconcile those amounts to pupils who were truant. Consequently, the auditor used the district's CTEP02/03 reports to identify the population of the initial truanancies. The district was unable to explain the difference between the notifications claimed and the total initial truanancies identified on its accounting records. The variances for these pupils are as follows:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Supported truanancies	14,560	17,910	20,077	52,547
Claimed truanancies	<u>(14,562)</u>	<u>(14,509)</u>	<u>(20,601)</u>	<u>(49,672)</u>
Difference	<u>(2)</u>	<u>3,401</u>	<u>(524)</u>	<u>2,875</u>

From the total population of supported truanancies each year, the auditor selected a statistical sample based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater.

For FY 1998-99, the auditor randomly sampled 163 initial truanancies from a population of 14,560. The district did not provide documentation to support the existence of any of the 163 notifications. Consequently, the auditor was unable to verify that any such notifications contained the five specified elements required by the *Parameters and Guidelines*.

For FY 1999-2000, the auditor randomly sampled 179 initial truanancies from a population of 17,910. The district provided support for only three letters distributed to the pupils' parents or guardians. However, those letters contained only two of the five required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 176 notifications.

For FY 2000-01, the auditor randomly selected 170 initial truanancies from a population of 20,077. The district provided support for only seven letters distributed to the pupils' parents or guardians. However, those letters did not contain the five required elements. Two of the letters contained only one required element while five of the letters contained only two required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 163 notifications.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Initial truancy notifications claimed	(14,562)	(14,509)	(20,601)	<u>(49,672)</u>
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73	
Totals	<u>\$ (170,375)</u>	<u>\$ (177,445)</u>	<u>\$ (262,251)</u>	<u>\$ (610,071)</u>

The current Associate Superintendent of Business and Administrative Services and the Senior Director for Pupil Services (who were not employed by the district during the period of audit) were unable to provide any documentation supporting the truanancies claimed.

School sites reviewed consisted of 10 sites in FY 1998-99 and FY 1999-2000 and 11 sites in FY 2000-01. Attendance clerks at the school sites sampled provided various explanations for the unsupported number of truanancies claimed as follows:

- .. At two elementary schools, the attendance clerks stated that notifications were not distributed to a pupil's parent or guardian during the audit period;
- .. At an alternative school, an attendance clerk stated that the school did not send out notifications during FY 1999-2000 because the district's attendance reporting system crashed;
- .. At one of the high schools, an attendance clerk stated that the high school facility where records were stored suffered a fire that destroyed the records;
- .. At two elementary schools, the attendance clerks stated that they were not the attendance clerks or administrator during the audit period and, therefore, were unable to locate the records; and
- .. At a middle school, an attendance clerk stated that parents or guardians were contacted through other means such by telephone and home visits rather than notification letters sent to the parents or guardians. However, no documentation was provided to support this statement.

The auditor reviewed telephone logs and attendance records (even though they are not acceptable in validating the claim) to gain an understanding of the district's process of notifying a pupil's parent or guardian of the required five elements. These records did not support that the required elements were discussed with the pupil's parent or guardian. Furthermore, *Parameters and Guidelines* requires the district to document the five specified elements on the form that is distributed to the pupil's parent or guardian.

Parameters and Guidelines, adopted by the State Board of Control on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil's parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1984 (effective January 1, 1995), to require eight specified elements. However, since the *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Parameters and Guidelines, Section I., requires “. . . school districts, upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means, of (1) the pupil truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.” Furthermore, the guideline states, “. . . district must inform parents and guardians of (1) alternative education programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.”

Parameters and Guidelines, Section V.A., states, “The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . .”

Parameters and Guidelines, Section V.B.1., states that the claimant shall be reimbursed for “Planning the method of implementation, revising school district policies, and designing and printing the forms.”

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

Parameters and Guidelines, Section V.C., states, “The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.”

Parameters and Guidelines, Section VII., states, “For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .”

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although *Parameters and Guidelines* allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with *Education Code* Section 48260.5, which requires the form to contain eight specified elements.

District's Response

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

SCO's Comment

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first-class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as certified mail, overnight mail, etc.

Parameters and Guidelines, Sections V.A., V.B.1, and V.B.2., allows a district to be reimbursed a specified amount for every initial truancy notification form (letter) distributed to a pupil's parent or guardian that contains five specified elements identified in the *Parameters and Guidelines*.

Telephone calls and home visits are not reimbursable activities. Nevertheless, the SCO auditors reviewed telephone logs, attendance records, and other records to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

In reference to the listings of notification forms, the district identified the total number of initial truancy notification forms claimed by school site, but was unable to reconcile those amounts to students who were truant. Consequently, the SCO used the district’s CTEP02/03 reports to identify the population of the initial truanancies. The district was unable to explain the differences between the notifications claimed and the total initial truanancies identified in its accounting records.

The SCO auditor selected a statistical sample from the total population of supported truanancies for each year based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater. The above method presented a representative sample of the total population for each year.

**FINDING 2—
Ineligible costs claimed
for independent study
students**

The district claimed costs for initial truancy notifications for independent study students, totaling \$5,874 during the audit period, which are ineligible. Independent study students are under an alternative study program and, therefore, cannot be considered truant. District staff members were unable to explain why these students were claimed for this mandated cost program.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Initial truancy notifications claimed	(271)	(219)	(2)	<u>(492)</u>
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73	
Totals	<u>\$ (3,171)</u>	<u>\$ (2,678)</u>	<u>\$ (25)</u>	<u>\$ (5,874)</u>

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

California Code of Regulations, Title 5, Section 11700(a), states that “Independent Study” means an alternative to classroom instruction consistent with the district’s course of study. Consequently, independent study students cannot be considered truant.

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that it claims only eligible costs.

District’s Response

The District will not contest this finding.

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2001**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1998, through June 30, 1999</u>				
Number of initial truancy notifications	14,833	—	(14,833)	Findings 1, 2
Uniform cost allowance	\$ 11.70	\$ 11.70	\$ 11.70	
Total costs	<u>\$ 173,546</u>	—	<u>\$(173,546)</u>	
Less amount paid by the State			(173,546)	
Amount paid in excess of allowable costs claimed			<u>\$ 173,546</u>	
<u>July 1, 1999, through June 30, 2000</u>				
Number of initial truancy notifications	14,728	—	(14,728)	Findings 1, 2
Uniform cost allowance	\$ 12.23	\$ 12.23	\$ 12.23	
Total costs	<u>\$ 180,123</u>	—	<u>\$(180,123)</u>	
Less amount paid by the State			(180,123)	
Amount paid in excess of allowable costs claimed			<u>\$ 180,123</u>	
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	20,603	—	(20,603)	Findings 1, 2
Uniform cost allowance	\$ 12.73	\$ 12.73	\$ 12.73	
Total costs	<u>\$ 262,276</u>	—	<u>\$(262,276)</u>	
Less amount paid by the State			(144,196)	
Amount paid in excess of allowable costs claimed			<u>\$ 144,196</u>	
<u>Summary: July 1, 1998, through June 30, 2001</u>				
Total costs	<u>\$ 615,945</u>	\$ —	<u>\$(615,945)</u>	
Less amount paid by the State			(497,865)	
Amount paid in excess of allowable costs claimed			<u>\$ 497,865</u>	

¹ See the Findings and Recommendations section.

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



June 6, 2003



FAXED
6/9/03

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

**RE: Response to Draft Audit Report
(Notification of Truancy FY 1998-2001)**

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Compton Unified School District (District) relating to the mandated Notification Truancy Program for the period of July 1, 1998 to June 30, 2001.

The district claimed \$615,945 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on two audit findings.

Finding 1 – Unsupported initial truancy notification forms for a total cost of \$610,071.

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

Page 2
Response to Audit Report
June 6, 2003

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII,A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

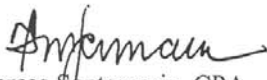
The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

Finding 2- Ineligible costs claimed for independent study students, \$5,874.

The District will not contest this finding.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,



Teresa Santamaria, CPA
Associate Superintendent
Business and Administrative Services

xc: Jesse Gonzales, CUSD
Art Luna, SCO
John Conshafter, MCS Education Services

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

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

C03-MCC-004

DESERT SANDS UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2010, through June 30, 2012



BETTY T. YEE
California State Controller

April 2015



BETTY T. YEE
California State Controller

April 20, 2015

Wendy Jonathan, President
Board of Education
Desert Sands Unified School District
47-950 Dune Palms Road
La Quinta, CA 92253

Dear Ms. Jonathan:

The State Controller's Office audited the costs claimed by Desert Sands Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$431,535 for the mandated program. Our audit found that \$374,613 is allowable and \$56,927 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State has not paid the district. The State will pay allowable costs claimed, totaling \$374,613, 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, CPA
Chief, Division of Audits

JVB/mh

cc: Gary Rutherford, Ed.D., Superintendent
Desert Sands Unified School District
James Novak, Ed.D., Assistant Superintendent
Business Services
Desert Sands Unified School District
Karen Stone, Fiscal Services Director
Desert Sands Unified School District
Larry Bellanich, Child Welfare and Attendance Director
Desert Sands Unified School District
Teresa Hyden, Chief Business Official
Riverside County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
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California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Keith Nezaam, Staff Finance Budget Analyst
Education Systems Unit
California Department of Finance
Christian Osmena, Principal Program Budget Analyst
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Desert Sands Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$431,535 for the mandated program. Our audit found that \$374,613 is allowable and \$56,922 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed, totaling \$374,613, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [Commission]) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2010, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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, Desert Sands Unified School District claimed \$431,535 for costs of the Notification of Truancy Program. Our audit found that \$374,613 is allowable and \$56,922 is unallowable.

The State made no payments to the district. Our audit found that \$374,613 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$374,613, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 19, 2015. James Novak, Ed.D., Assistant Superintendent, Business Services; and Karen Stone, Fiscal Services Director, agreed with the audit results. Dr. Novak declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Desert Sands Unified School District, Riverside 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, CPA
Chief, Division of Audits

April 20, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	11,088	9,506	(1,582)	Findings 1 & 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs ²	<u>\$ 202,800</u>	173,865	<u>\$ (28,935)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 173,865</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	12,096	10,616	(1,480)	Findings 1 & 2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs ²	<u>\$ 228,735</u>	200,748	<u>\$ (27,987)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 200,748</u>		
<u>Summary: July 1, 2010, through June 30, 2012</u>				
Total program costs	<u>\$ 431,535</u>	\$ 374,613	<u>\$ (56,922)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 374,613</u>		

¹ See the Findings and Recommendations section.

² Minor calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Unsupported and unallowable initial truancy notifications

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$22,699. The costs are unallowable for the following reasons:

- The district claimed costs for distributing 23,184 initial truancy notifications, but only provided support that it distributed 23,102. This represents a difference of 82 notifications (34 for FY 2010-11, and 48 for FY 2011-12).
- The initial truancy notifications that the district did support included 1,138 for charter school students. However, charter schools are not eligible for reimbursement of state-mandated costs.

For fiscal year (FY) 2010-11, the district claimed costs for distributing 11,088 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 11,054 notifications, a difference of 34 initial truancy notifications. Additionally, there were 565 unallowable initial truancy notifications distributed for students in charter schools based on the district's electronic list.

For FY 2011-12, the district claimed costs for distributing 12,096 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 12,048 notifications, a difference of 48 initial truancy notifications. Additionally, there were 573 unallowable initial truancy notifications distributed for students in charter schools based on the district's electronic list.

Government Code section 17519, defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

The program's parameters and guidelines (section IV – Reimbursable Costs), state:

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 costs 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.

The parameters and guidelines (section V.A – Claim Preparation, Uniform Cost Allowance Reimbursement), state:

Each claim for reimbursement pursuant to Education Code section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program. Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian. The agency must maintain documentation that indicates the total number of initial notifications of truancy distributed.

The parameters and guidelines (section VI – Record Retention), state:

For auditing purposes, documents must be kept on file for a period of three years from the date of final payment by the State Controller and be made available at the request of the State Controller or his agent.

The following table summarizes the overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year		Total
	2010-11	2011-12	
Initial truancy notifications supported by district	11,054	12,048	23,102
Less initial truancy notifications claimed	(11,088)	(12,096)	(23,184)
Unsupported initial truancy notifications	(34)	(48)	(82)
Unallowable charter school notifications	(565)	(573)	(1,138)
(Overclaimed) initial truancy notifications	(599)	(621)	(1,220)
Uniform cost allowance	\$ 18.29	\$ 18.91	
Audit adjustment	\$ (10,956)	\$ (11,743)	\$ (22,699)

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

FINDING 2— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$34,223. The district claimed initial truancy notification costs that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district claimed initial truancy notifications distributed for students who were either under the age of six or over the age of eighteen when the absences occurred. Under California law, only students between the ages of six and eighteen are subject to compulsory school attendance.

For each fiscal year, from the allowable population identified in Finding 1, we selected a statistical sample based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on the student's grade level, we stratified the allowable population into two groups: elementary students subject to daily attendance accounting, and middle and high school students subject to period attendance accounting. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting system. As noted in Finding 1, we excluded notifications for unsupported students and charter school students from the stratified populations.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year	
	2010-11	2011-12
Unexcused absences or tardiness occurred when:		
Students were under six years of age	14	15
Students were 18 years of age or over	4	6
Students did not accumulate the required number of absences or tardiness to be classified as a truant	8	1
Unallowable initial truancy notifications	<u>26</u>	<u>22</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year		Total
	2010-11	2011-12	
<u>Elementary Schools</u>			
Unallowable initial truancy notifications	21	16	
Sample size	<u>146</u>	<u>146</u>	
Percentage of unallowable initial truancy notifications	14.38%	10.96%	
Population sampled	<u>5,695</u>	<u>5,658</u>	
Extrapolated number of unallowable initial truancy notifications	819	620	
Uniform cost allowance	<u>\$18.29</u>	<u>\$18.91</u>	
Audit adjustment - Elementary schools ¹	<u>\$14,979</u>	<u>\$11,724</u>	\$26,703
<u>Middle/High Schools</u>			
Unallowable initial truancy notifications	5	6	
Sample size	<u>146</u>	<u>146</u>	
Percentage of unallowable initial truancy notifications	3.42%	4.11%	
Population sampled	<u>4,794</u>	<u>5,817</u>	
Extrapolated number of unallowable initial truancy notifications	164	239	
Uniform cost allowance	<u>\$18.29</u>	<u>\$18.91</u>	
Audit adjustment - Middle/High schools ¹	<u>\$3,000</u>	<u>\$4,520</u>	\$7,520
Total audit adjustment ¹	<u>\$17,979</u>	<u>\$16,244</u>	<u>\$34,223</u>

¹ Calculation differences due to rounding.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is truant.

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasion in one school year, or any combination thereof, is a truant.

The parameters and guidelines (section 1 – Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

February 2009



JOHN CHIANG
California State Controller

February 13, 2009

Patricia Martinez-Roach, President
Board of Trustees
East Side Union High School District
830 North Capitol Avenue
San Jose, CA 95133

Dear Ms. Martinez-Roach:

The State Controller's Office audited the costs claimed by the East Side Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$865,273 for the mandated program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$376,110. Allowable costs claimed exceed the amount paid by \$463,505.

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: Bob Nunez, Superintendent
 East Side Union High School District
Jerry Kurr, Associate Superintendent
 East Side Union High School District
Charles Weis, Santa Clara County Superintendent of Schools
 Santa Clara County Office of Education
Scott Hannan, Director
 School Fiscal Services Division
 California Department of Education
Carol Bingham, Director
 Fiscal Policy Division
 California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
 School Fiscal 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	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the East Side Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$865,273 for the mandated program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$376,110. Allowable costs claimed exceed the amount paid by \$463,505.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987.

On February 23, 2007, Assembly Bill 1698 (Chapter 60, Statutes of 2007) directed the CSM to amend the parameters and guidelines by January 31, 2008, regarding the definition of a truant and the elements included in the initial truancy notification to conform to Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995. The CSM adopted amended parameters and guidelines on January 31, 2008, effective for FY 2006-07.

Education Code section 48260.5 (as amended by Chapter 1023, Statutes of 1994), requires school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Education Code section 48260 (amended by Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, and renumbered from section 48260) states that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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.

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 East Side Union High School District claimed \$865,273 for costs of the Notification of Truancy Program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$172,621. Our audit disclosed that \$159,835 is allowable. The State will offset \$12,786 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$180,970. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$252,168 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$252,168, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$22,519. Our audit disclosed that \$246,642 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$224,123, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on December 11, 2008. Jerry Kurr, Associate Superintendent, responded by letter dated January 12, 2009 (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 the East Side Union High School District, the Santa Clara 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 13, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	12,637	11,701	(936)	Finding 1, 2
Uniform cost allowance	× \$ 13.66	× \$ 13.66	× \$ 13.66	
Total program costs	<u>\$ 172,621</u>	\$ 159,835	<u>\$ (12,786)</u>	
Less amount paid by the State		<u>(172,621)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (12,786)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	12,673	12,673	—	
Unit cost per initial notifications	× \$ 14.28	× \$ 14.28	—	
Total program costs	<u>\$ 180,970</u>	180,970	<u>\$ —</u>	
Less amount paid by the State		<u>(180,970)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	16,227	16,227	—	
Unit cost per initial notifications	× \$ 15.54	× \$ 15.54	—	
Total program costs	<u>\$ 252,168</u>	\$ 252,168	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 252,168</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	16,069	15,272	(797)	Finding 1, 2
Unit cost per initial notifications	× \$ 16.15	× \$ 16.15	× \$ 16.15	
Total program costs	<u>\$ 259,514</u>	\$ 246,642	<u>\$ (12,872)</u>	
Less amount paid by the State		<u>(22,519)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 224,123</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total program costs	<u>\$ 865,273</u>	\$ 839,615	<u>\$ (25,658)</u>	
Less amount paid by the State		<u>(376,110)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 463,505</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unsupported number
of initial truanancies**

The district claimed \$19,397 in unsupported initial truancy notification costs for the audit period.

The district’s attendance records did not support the number of initial truancy notification forms that the district reported on its mandated claims. The district overstated the initial truancy notifications by 856 for fiscal year (FY) 2003-04 and by 477 for FY 2006-07.

We reviewed all truanancies claimed. The district claimed 12,637 truanancies for FY 2003-04 and 16,069 for FY 2006-07. However, the district records supported only 11,781 and 15,592, respectively.

The following table summarizes overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year		Total
	2003-04	2006-07	
Number of initial truancy notifications supported by district records	11,781	15,592	
Less initial truancy notifications claimed	<u>(12,637)</u>	<u>(16,069)</u>	
Unsupported initial truancy notifications	(856)	(477)	
Uniform cost allowance	× \$13.66	× \$16.15	
Audit adjustment	<u>\$ (11,693)</u>	<u>\$ (7,704)</u>	<u>\$ (19,397)</u>

The program’s parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

District’s Response

The district agreed with the finding.

**FINDING 2—
Ineligible truancy
notifications claimed**

The district claimed \$6,261 in ineligible truancy notification costs for FY 2003-04 and FY 2006-07. The district claimed ineligible initial truancy notifications for students who accumulated less than the required number of unexcused absences or tardies to be classified as truant under the mandated program.

We measured the error rate through statistical sampling. We selected a statistical sample for each fiscal year from the total population of truancy cases based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sampling so that the results could be projected to the total truancy population. We reviewed a random sample of 148 and 149 truantries for FY 2003-04 and FY 2006-07, respectively, of which one for FY 2003-04 and three for FY 2006-07 were ineligible truantries. The truantries were ineligible because the students did not have the required number of unexcused absences or tardies to be classified as truant.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2003-04	2006-07	
Number of ineligible initial truancy notifications	(1)	(3)	
Sample size	÷ 148	÷ 149	
Percentage of ineligible initial truancy notifications Population	(0.68)% × 11,781	(2.05)% × 15,592	
Projected ineligible initial truancy notifications	<u>(80)</u>	<u>(320)</u>	
Ineligible number of truancy notifications	(80)	(320)	
Uniform cost allowance	× \$13.66	× \$16.15	
Audit adjustment	<u>\$ (1,093)</u>	<u>\$ (5,168)</u>	<u>\$ (6,261)</u>

For FY 2003-04, the parameters and guidelines state that a truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. However, the parameters and guidelines were amended for FY 2006-07 to state that a truancy occurs when a student is absent from school without a valid excuse three full days in one school year, or is tardy or absent without valid excuse for more than any 30 minute period during the school day on three occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The district agreed with the finding.

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



East Side Union High School District

830 North Capitol Avenue • San José, California 95133-1316 • 408-347-5000

Academic, personal and social success for each and every student.

Bob Nuñez, Superintendent

January 12, 2009

Jim L. Spano
Chief, Mandated Cost Audits Bureau
California State Controller's Office
P.O. Box 942850
Sacramento, Ca 94250-5874

Dear Mr. Spano,

This letter is to confirm that we agree to the findings stated on your certified letter received dated December 17, 2008. The letter for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003 through June 30, 2007.

We will follow your recommendation to ensure maintaining supporting documentation as required by the parameters and guidelines. Only claiming initial truancy notification for those students who meet the truancy definition provided in the parameter and guidelines.

Thank you.

Sincerely,

Jerry Kurr
Associate Superintendent of
Administration and Business Services

cc: George Sanchez, Administrator of Student Services, ESUHSD
Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office

BOARD OF TRUSTEES: Frank Biehl, Eddie Garcia, J. Manuel Herrera, Patricia Martinez-Roach, Lan Nguyen.
It is the policy of the East Side Union High School District not to discriminate on the basis of sex, age, religion, race or national origin, sexual orientation, or handicapping condition in its educational programs and activities or in the recruitment and employment of personnel.

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

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

ELK GROVE UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2006, through June 30, 2010



JOHN CHIANG
California State Controller

April 2012



JOHN CHIANG
California State Controller

April 20, 2012

Chet Madison, Sr., President
Board of Education
Elk Grove Unified School District
9510 Elk Grove-Florin Road
Elk Grove, CA 95624

Dear Mr. Madison:

The State Controller's Office audited the costs claimed by the Elk Grove Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,057,476 for the mandated program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The costs are unallowable because the district claimed overstated and non-reimbursable initial truancy notifications. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, 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 website 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/vb

cc: Steven M. Ladd, Ed.D., Superintendent
Elk Grove Unified School District
Rich Fagan, Associate Superintendent
Finance and School Support
Elk Grove Unified School District
Carrie Hargis, Director of Fiscal Services
Elk Grove Unified School District
Shelley Clark, Manager of Accounting
Elk Grove Unified School District
David W. Gordon, Superintendent of Schools
Sacramento County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
David Kopperud, Education Programs Consultant
State SARB
California Department of Education
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Elk Grove Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,057,476 for the mandated program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The costs are unallowable because the district claimed overstated and non-reimbursable initial truancy notifications. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist schools 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 Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

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, the Elk Grove Unified School district claimed \$1,057,476 for costs of the Notification of Truancy Program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a revised draft audit report on January 27, 2012. Rich Fagan, Associate Superintendent, Finance and School Support, responded by letter dated February 14, 2012 (Attachment). The district disagreed with one sentence in Finding 1 and identified its current truancy policy in response to Finding 2. However, the district did not state whether it agreed or disagreed with the audit adjustments identified in the audit findings. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Elk Grove Unified School District, the Sacramento 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

April 20, 2012

**Schedule 1—
Summary of Program Costs
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	13,623	12,702	(921)	Findings 1, 2
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Total program costs ²	<u>\$ 220,011</u>	<u>\$ 205,137</u>	<u>\$ (14,874)</u>	
Less amount paid by the state		(20,345)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 184,792</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	13,329	12,515	(814)	Findings 1, 2
Unit cost per initial notifications	x \$17.28	x \$17.28	x \$17.28	
Total program costs ²	<u>\$ 230,325</u>	<u>\$ 216,258</u>	<u>\$ (14,067)</u>	
Less amount paid by the state		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 216,249</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of truancy notifications	24,965	10,523	(14,442)	Findings 1, 2
Unit cost per initial notifications	x \$17.74	x \$17.74	x \$17.74	
Total program costs ²	<u>\$ 442,879</u>	<u>\$ 186,678</u>	<u>\$ (256,201)</u>	
Less amount paid by the state		(100,349)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,329</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of truancy notifications	9,192	8,037	(1,155)	Findings 1, 2
Unit cost per initial notifications	x \$17.87	x \$17.87	x \$17.87	
Total program costs ²	<u>\$ 164,261</u>	<u>\$ 143,621</u>	<u>\$ (20,640)</u>	
Less amount paid by the state		(32,264)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 111,357</u>		
<u>Summary: July 1, 2006, through June 30, 2010</u>				
Total program costs	<u>\$ 1,057,476</u>	<u>\$ 751,694</u>	<u>\$ (305,782)</u>	
Less amount paid by the state		(152,967)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 598,727</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Overstated number of initial truancy notifications claimed

For the audit period, the district claimed unallowable costs totaling \$243,289. The costs are unallowable for the following reasons:

- The district claimed costs for Fiscal Year (FY) 2008-09 based on the number of students who met the statutory definition of a truant rather than the actual number of initial truancy notifications distributed. Education Code section 48260, subdivision (a), defines a truant as a student who accumulates three unexcused absences or tardiness occurrences, or any combination thereof. Education Code section 48260.5 requires the district to distribute an initial truancy notification upon the student's initial classification as a truant.

However, the district's policy is to classify a student as truant once the student accumulates five, rather than three, unexcused absences or tardiness occurrences. Similarly, the district distributes initial truancy notifications only when a student accumulates five unexcused absences or tardiness occurrences.

The district contracted with MAXIMUS, Inc. to prepare and submit its Notification of Truancy Program mandated cost claims for FY 2006-07, FY 2007-08, and FY 2008-09. For FY 2008-09, the district followed its practice from prior years to provide MAXIMUS, Inc. with the number of initial truancy notifications distributed for those students who accumulated five unexcused absences or tardiness occurrences. The district documented 11,741 notifications. However, a MAXIMUS, Inc. vice president directed a subordinate to prepare the district's FY 2008-09 claim based on students who accumulated three, rather than five, unexcused absences or tardiness occurrences. The vice president directed her subordinate to prepare the claim in this manner "to maximize the district's cash flow for the Notification of Truancy mandated program." As a result, the district submitted a claim based on 24,965 notifications, overstating the claim by \$234,594. MAXIMUS, Inc. no longer employs the vice president and the district no longer contracts with MAXIMUS, Inc. to prepare its mandated cost claims.

The district contracted with a second consultant to prepare its FY 2009-10 mandated cost claims. The district and second consultant mutually agreed to prepare the district's FY 2009-10 Notification of Truancy Program claim using data supplied by MAXIMUS, Inc. The district did not require the second consultant to audit the data provided by MAXIMUS, Inc. The district originally submitted a FY 2009-10 claim based on 25,401 initial truancy notifications distributed. The number of notifications reported was overstated in the same manner as in the district's FY 2008-09 claim. During our audit fieldwork, the district submitted an amended claim based on the actual number of notifications distributed per its records. The district's amended claim reflected 9,192 notifications, a claim reduction of \$289,655.

- The district overstated the number of allowable initial truancy notifications distributed for FY 2006-07 and FY 2009-10. The district provided a list of students for whom it distributed initial truancy notifications. For both fiscal years, the number of documented notifications did not agree with the number of notifications claimed.
- The district claimed duplicate initial truancy notifications because it distributed more than one notification for some students during the school year.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Number of notifications documented:					
Daily attendance accounting	2,546	2,580	2,063	2,102	
Period attendance accounting	11,071	10,749	9,678	6,793	
Total number of notifications documented	13,617	13,329	11,741	8,895	
Less duplicate notifications distributed	(23)	(17)	(6)	(141)	
Allowable number of notifications documented	13,594	13,312	11,735	8,754	
Notifications claimed	(13,623)	(13,329)	(24,965)	(9,192)	
Unallowable notifications claimed	(29)	(17)	(13,230)	(438)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Audit adjustment	\$ (468)	\$ (294)	\$ (234,700)	\$ (7,827)	\$ (243,289)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. In addition, we recommend that the district exclude from this count multiple notifications that it distributes for the same student(s) within the school year.

District's Response

The district disagreed with the factual accuracy of one sentence within the audit finding. The district did not respond to the factual accuracy of the audit adjustment.

SCO's Comment

We revised the narrative regarding the circumstances leading to the district's FY 2009-10 claim. The remainder of the finding, and the recommendation, are unchanged.

**FINDING 2—
Unallowable initial
truancy notifications**

The district claimed unallowable initial truancy notifications totaling \$62,493. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant based on the district's truancy policy.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting.

For special education students enrolled in middle or high school, the district accounts for each student's attendance based on the student's course of study. These students may be subject to either daily or period attendance accounting. Therefore, we excluded notifications distributed for special education students attending middle or high school from the population used to select our sample and extrapolate the sample results. The following table summarizes the notifications sampled:

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Daily attendance accounting:				
Documented notifications	2,546	2,580	2,063	2,102
Less duplicate notifications	(5)	(1)	(1)	(30)
Total notifications sampled, daily attendance accounting	<u>2,541</u>	<u>2,579</u>	<u>2,062</u>	<u>2,072</u>
Period attendance accounting:				
Documented notifications	11,071	10,749	9,678	6,793
Less special education students	(71)	(70)	(59)	(46)
Less duplicate notifications	(18)	(16)	(5)	(111)
Total notifications sampled, period attendance accounting	<u>10,982</u>	<u>10,663</u>	<u>9,614</u>	<u>6,636</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Contrary to Education Code sections 48260, subdivision (a), and 48260.5, the district's policy was to classify students as truant and issue initial truancy notifications only when students accumulated five (rather than three) unexcused absences or tardiness occurrences. Therefore, we allowed initial truancy notifications only for those students whose attendance records documented five unexcused absences or tardiness occurrences accumulated between ages 6 and 18. Some initial truancy notifications were unallowable for the following reasons:

- Students accumulated fewer than five unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than five unexcused absences or tardiness occurrences.

The following table summarizes the unallowable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Fewer than five while between ages 6 and 18	(22)	(20)	(17)	(15)
Fewer than five total	<u>(3)</u>	<u>(8)</u>	<u>(8)</u>	<u>(6)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(25)</u>	<u>(28)</u>	<u>(25)</u>	<u>(21)</u>
Period attendance accounting:				
Fewer than five while between ages 6 and 18	(4)	(3)	(10)	(8)
Fewer than five total	<u>(2)</u>	<u>(1)</u>	<u>(3)</u>	<u>(1)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(6)</u>	<u>(4)</u>	<u>(13)</u>	<u>(9)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Daily attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(25)	(28)	(25)	(21)	
Statistical sample size	÷ 142	÷ 142	÷ 140	÷ 140	
Unallowable percentage	(17.61)%	(19.72)%	(17.86)%	(15.00)%	
Population sampled	x 2,541	x 2,579	x 2,062	x 2,072	
Extrapolated number of unallowable initial truancy notifications	(447)	(509)	(368)	(311)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Unallowable costs, daily attendance accounting	\$ (7,219)	\$ (8,796)	\$ (6,528)	\$ (5,558)	\$ (28,101)
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(6)	(4)	(13)	(9)	
Statistical sample size	÷ 148	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(4.05)%	(2.70)%	(8.78)%	(6.12)%	
Population sampled	x 10,982	x 10,663	x 9,614	x 6,636	
Extrapolated number of unallowable initial truancy notifications	(445)	(288)	(844)	(406)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Unallowable costs, period attendance accounting	\$ (7,187)	\$ (4,977)	\$ (14,973)	\$ (7,255)	(34,392)
Audit adjustment ¹	\$ (14,406)	\$ (13,773)	\$ (21,501)	\$ (12,813)	\$ (62,493)

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant under the district's truancy policy. We also recommend that the district revise its truancy policy to classify a student as truant, and issue the required initial truancy notification, upon the student's third unexcused absence or tardiness occurrence.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

District's Response

The District offers the following clarification regarding its truancy policy:

Elk Grove Unified School District truancy policy states that parents/guardians are notified the day in which a student is marked truant (as defined in Education Code section 48260) via a telephone call. Written notification is mailed to the parent/guardian upon the student's fifth unexcused absence or tardiness. **As stated in section 48260.5 of the Education Code, school districts shall notify using the most cost-effective method possible, which may include electronic, mail or a telephone call.** These practices were implemented to provide parents/guardians with the timeliest method of notification. The written mailed notification on the fifth occurrence ensures our SARB process to address habitual truancy issues as defined by statute is additional documentation to ensure that our parents are made aware of the truancy.

SCO's Comment

Our finding and recommendation remain unchanged. The district did not identify the effective date of its stated truancy policy. During our audit fieldwork, the district confirmed its truancy policy on multiple occasions. At no time did the district state that it performed both telephone calls and written notifications.

The district cites Education Code section 48260.5 effective October 19, 2010, which is subsequent to the audit period. For FY 2006-07 through FY 2009-10, Education Code section 48260.5 stated that the district “shall notify the pupil’s parent or guardian, by first-class mail or other reasonable means” of the student’s truancy. The parameters and guidelines specify that the mandate-reimbursable activity requires the district to prepare and distribute a form upon a student’s initial classification as a truant. Therefore, even if the district had made telephone calls during the audit period, the cost of the telephone calls would not have been reimbursable under the mandated program.

In addition, although Education Code section 48260.5 was amended, the parameters and guidelines have not been amended. Therefore, the district’s current stated truancy policy does not comply with the mandated program’s requirements until the Commission on State Mandates (CSM) amends the parameters and guidelines. If the CSM amends the parameters and guidelines to allow notifications made by telephone, the parameters and guidelines will identify documentation that the district must maintain to support any telephone notifications claimed for mandated-program reimbursement.

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



Unified School District

Members of the Board:
Jeanette J. Amavisca
Pollyanna Cooper-LeVangie
Priscilla S. Cox
Pamela A. Irely
William H. Lugg, Jr.
Chet Madison, Sr.
Al Rowlett

Rich Fagan
Associate Superintendent
of Finance & School Support
(916) 686-7744
FAX: (916) 686-7570
rfagan@egusd.net

9510 Elk Grove Florin Road, Elk Grove, CA 95624

February 14, 2012

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

Subject: Elk Grove Unified School District
Notification of Truancy Program
Audit of Mandated Cost Reimbursement Claims
Fiscal Years 2006/07 to 2009/10

Dear Mr. Spano,

This letter is in response to the revised draft audit report issued January 27, 2012 by the State Controller's Office (SCO) regarding costs claimed by Elk Grove Unified School District (District) for the legislatively mandated Notification of Truancy Program for the period of July 1, 2006 through June 30, 2010. The District appreciates the work of the SCO in providing a revised draft report which included corrections to the draft that was reviewed during the January 23, 2012 exit conference.

Finding 1 – Overstated number of initial truancy notifications claimed

The revised draft report states on page 5 (fourth paragraph under first bullet) "MAX8550 prepared the district's FY2009-10 Notification of Truancy Program claim in the same manner that MAXIMUS, Inc. prepared the district's FY2008-09 claim"; this statement is incorrect. Due to timing it was mutually agreed upon by both the District and MAX8550 that MAX8550 would prepare the FY 2009-10 claim using the data supplied by MAXIMUS, the District's previous consultant. In addition, MAX8550 was not required to audit the data provided by MAXIMUS.

Elk Grove Unified School District – Excellence by Design

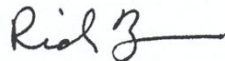
Finding 2 – Unallowable initial truancy notifications

The District offers the following clarification regarding its truancy policy:

Elk Grove Unified School District truancy policy states that parents/guardians are notified the day in which a student is marked truant (as defined in Education Code section 48260) via telephone call. Written notification is mailed to the parent/guardian upon the student's fifth unexcused absence or tardiness. **As stated in section 48260.5 of the Education Code, school districts shall notify using the most cost-effective method possible, which may include electronic, mail or a telephone call.** These practices were implemented to provide parents/guardians with the timeliest method of notification. The written mailed notification on the fifth occurrence ensures our SARB process to address habitual truancy issues as defined by statute is additional documentation to ensure that our parents are made aware of the truancy.

The District appreciates both the professionalism of SCO staff during this audit and the opportunity to provide this response.

Sincerely,



Rich Fagan
Associate Superintendent of Finance & School Support

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c: Steven M. Ladd, Ed.D., Superintendent
Tom Jenkins, Chief of Police
Carl Steinauer, Director of Student Support & Health Services
Carrie Hargis, Director of Fiscal Services
Shelley Clark, Accounting Manager

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

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

FRESNO UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

February 2005



STEVE WESTLY
California State Controller

February 18, 2005

Santiago Wood, Ed.D., Superintendent
Fresno Unified School District
2309 Tulare Street
Fresno, CA 93721

Dear Dr. Wood:

The State Controller's Office audited the claims filed by the Fresno Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$943,847 for the mandated program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable. The unallowable costs occurred because the district distributed initial truancy notifications that did not contain the specified elements required by the mandate. The State paid the district \$672,900. The amount paid exceeds allowable costs claimed by \$147,224.

If you disagree with the audit finding, 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) and 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:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Paul Disario, Ed.D.

Associate Superintendent/Chief Financial Officer
Fresno Unified School District

Jacque Canfield

Administrator, Fiscal Services
Fresno Unified School District

Peter G. Mehas, Ph.D., County Superintendent of Schools
Fresno 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	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Fresno Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was January 6, 2004.

The district claimed \$943,847 for the mandated program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable. The unallowable costs occurred because the district distributed initial truancy notifications that did not contain the specified elements required by the mandate. The State paid the district \$672,900. The total amount paid exceeds allowable costs claimed by \$147,224.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

We limited our review of the district's management controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The 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 Fresno Unified School District claimed \$943,847 for costs of the Notification of Truancy Program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$342,000 by the State. Our audit disclosed that \$195,998 is allowable. The district should return \$146,002 to the State.

For FY 2000-01, the district was paid \$202,980 by the State. Our audit disclosed that \$114,430 is allowable. The district should return \$88,550 to the State.

For FY 2001-02, the district was paid \$127,920 by the State. Our audit disclosed that \$215,248 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$87,328, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft report on October 28, 2004. Paul Disario, Associate Superintendent/Chief Financial Officer, responded by letter dated December 2, 2004, disagreeing with the audit results. This report includes the district's response.

Restricted Use

This report is solely for the information and use of the Fresno Unified School District, the Fresno 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, 1999, through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments ¹</u>
<u>July 1, 1999, through June 30, 2000</u>			
Number of initial truancy notifications	27,964	16,026	(11,938)
Uniform cost allowance	<u>× \$12.23</u>	<u>× \$12.23</u>	<u>× \$12.23</u>
Total costs	<u>\$ 342,000</u>	\$ 195,998	<u>\$(146,002)</u>
Less amount paid by the State		<u>(342,000)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(146,002)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Number of initial truancy notifications	15,945	8,989	(6,956)
Uniform cost allowance	<u>× \$12.73</u>	<u>× \$12.73</u>	<u>× \$12.73</u>
Total costs	<u>\$ 202,980</u>	\$ 114,430	<u>\$(88,550)</u>
Less amount paid by the State		<u>(202,980)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(88,550)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Number of initial truancy notifications	30,896	16,673	(14,223)
Uniform cost allowance	<u>× \$12.91</u>	<u>× \$12.91</u>	<u>× \$12.91</u>
Total costs	<u>\$ 398,867</u>	\$ 215,248	<u>\$(183,619)</u>
Less amount paid by the State		<u>(127,920)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(87,328)</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Total costs	<u>\$ 943,847</u>	\$ 525,676	<u>\$(418,171)</u>
Less amount paid by the State		<u>(672,900)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(147,224)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Non-compliant initial
truancy notification
forms claimed**

During the audit period, the district claimed \$943,847 for 74,805 initial truancy notification forms. Of this amount, \$418,171 claimed for 33,117 notification forms distributed to parents or guardians was not reimbursable because the notification forms did not contain the specified elements required by the mandate. Our audit revealed that, upon a student being classified as initially truant with three unexcused absences, a standard notification letter was distributed to the pupil’s parent or guardian. The standard letter included only two of the five elements required by the mandate; therefore, costs claimed for these truanancies are unallowable.

For the remaining 41,668 notifications claimed, two letters were distributed for each pupil, the first when the student was classified as initially truant after three unexcused absences, and a second when the pupil had additional unexcused absences. We selected a statistical sample from the population of second notifications for each year, based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample, so the sample results could be projected to the population. The standard second letter contained all five of the required elements. The district provided documentation supporting the number of second notifications distributed to pupils’ parents or guardians. Consequently, costs claimed for these truanancies, totaling \$525,676, are allowable.

A summary of adjustments for non-compliant notification forms claimed is as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Number of non-compliant initial truancy notifications claimed	(11,938)	(6,956)	(14,223)	<u>(33,117)</u>
Claimed uniform costs allowance	× \$12.23	× \$12.73	× \$12.91	
Audit adjustment	<u>\$(146,002)</u>	<u>\$(88,550)</u>	<u>\$(183,619)</u>	<u>\$(418,171)</u>

Parameters and Guidelines, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil’s parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1984, (effective January 1, 1995) to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Parameters and Guidelines, Section I, requires school districts, upon a pupil’s initial classification as a truant, to notify the pupil’s parent or guardian, by first-class mail or other reasonable means, of (1) the pupil’s truancy; (2) the parent’s or guardian’s obligation to compel the attendance of the pupil at school; and (3) that parents or guardians who

fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27. Furthermore, the guidelines provide that a district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Parameters and Guidelines, Section VII, requires that, for audit purposes, documents must be kept on file for three years from the date of final payment by the State Controller.

Recommendation

We recommend the district develop and implement an adequate accounting and reporting system to ensure that it claims only initial truancy notifications distributed to the pupil's parent or guardian that contain all required elements. Although *Parameters and Guidelines* requires the notification to contain only five specified elements for the district to be subject to reimbursement, *Education Code* Section 48260.5 requires the notification to contain eight specified elements for the district to comply with statutory requirements.

District's Response

This letter is in regards to the offset of the Habitual Truancy Letters for fiscal years 1999/00, 2000/01, and 2001/02 for the Notice of Truancy Letters.

The initial audit began on January 13, 2003, for the Notice of Truancy Audit. During the audit it was discovered that Fresno Unified did not have all components in the Notice of Truancy, but as noted by the State Controller Office the letter sent out for Habitual Truancy fulfilled these requirement. This concept was presented in a phone conference with Chris Prasad and Amy Cheung. The draft report does not mention this item.

The last communication with the State Controller's office before the draft report was in January 2004. We were asked to gather 30 sample letters from the habitual truancy list that was sent to the State Controller's office on November 2003.

While preparing a response to the draft audit we learned the original files sent to the State Controller's office included student records outside of the designated years. We had our Technology Services Department run the correct list, which is attached in electronic form for your review. This new list excluded two students from the sample list of 30—since they were not from the designated years. In a separate letter, we have attached the remaining 28 letters from the sample list.

On the following page is an analysis that shows how much the District can claim for the Notice of Truancy Claim minus the Habitual Truancy Mandate. If we were able to offset the claim with the habitual truancy notifications, the District would be allowed to offset the disallowance by \$423,474.

Fiscal Year	Original Notice of Truancy	Habitual Notice	Notice of Truancy Rate	Revised Notice of Truancy of Gross Claim Amt.	Reduce from Habitual Mandate-Making a Conscientious Effort to Schedule a Parent Conference	Able to Claim for Notice of Truancy
2001/02	398,867	15,356	12.91	198,246	22,086	176,160
2000/01	202,980	7,947	12.73	101,165	12,900	88,265
1999/00	342,000	15,310	12.23	187,241	28,192	159,049
TOTAL	943,847	38,613		486,652	63,178	423,474

Fresno Unified did in good faith implement the Notice of Truancy by sending out letters. Unfortunately, the letters were missing 3 of the 5 elements within the letter. To reduce the claim to zero shows that the District did not incur any costs to implement the mandate, when in fact we can offset the claim with the habitual truancy letter of \$423,474.

Fresno Unified claimed \$943,847 and has received \$672,900 against that claim. We believe the claim should be revised to \$423,474 for these years and that Fresno Unified should return \$249,426 to the State for the discrepancies.

SCO's Comment

The finding and recommendation for the unsupported notifications have been revised, based on the additional information provided by the district for FY 1999-2000 through FY 2001-02. The finding as it relates to the non-compliant notifications issued remains unchanged.

After the issuance of the draft audit report, the district provided notification letters to support the number of second notifications that contained all five of the required elements. The district responded that, of the \$943,847 claimed, \$423,474 should be allowable. However, our review revealed that \$525,676 should be allowable, a difference of \$102,202. The final report has been revised to allow \$525,676 in costs, resulting in unallowable costs of \$418,171.

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



**FRESNO UNIFIED
SCHOOL DISTRICT**

Education Center, 2309 Tulare Street
Fresno, California 93721-2287
(559) 457-3000

Document # 18 Page 2/5
Auditor ac Date JAN 15 200
Reviewer _____ Date _____

BOARD OF EDUCATION
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INTERIM SUPERINTENDENT
Walt Buster, Ed.D.

December 2, 2004

Mr. Jim L. Spano, Chief, Compliance Audits Bureau
State Controllers' Office-Division of Audits
300 Capitol Mall, Suite 518
Sacramento, CA 95814

Dear Mr. Spano:

This letter is in regards to the offset of the Habitual Truancy Letters for fiscal years 1999/00, 2000/01, and 2001/02 for the Notice of Truancy Letters.

The initial audit began on January 13, 2003, for the Notice of Truancy Audit. During the audit it was discovered that Fresno Unified did not have all components in the Notice of Truancy, but as noted by the State Controller Office the letter sent out for Habitual Truancy fulfilled these requirement. This concept was presented in a phone conference with Chris Prasad and Amy Cheung. The draft report does not mention this item.

The last communication with the State Controller's office before the draft report was in January 2004. We were asked to gather 30 sample letters from the habitual truancy list that was sent to the State Controller's office on November 2003.

While preparing a response to the draft audit we learned the original files sent to the State Controller's office included student records outside of the designated years. We had our Technology Services Department run the correct list, which is attached in electronic form for your review. This new list excluded two students from the sample list of 30—since they were not from the designated years. In a separate letter, we have attached the remaining 28 letters from the sample list.

On the following page is an analysis that shows how much the District can claim for the Notice of Truancy Claim minus the Habitual Truancy Mandate. If we were able to offset the claim with the habitual truancy notifications, the District would be allowed to offset the disallowance by \$423,474.

For PSSC, See Work Paper # 18 1/5

An Equal Opportunity Employer

Mr. Jim L. Spano
 Page 2
 December 2, 2004

Fiscal Year	Original Notice of Truancy	Habitual Notice	Notice of Truancy Rate	Revised Notice of Truancy of Gross Claim Amt.	Reduce from Habitual Mandate-Making a Conscientious Effort to Schedule a Parent Conference	Able to Claim for Notice of Truancy
2001/02	398,867	15,356	12.91	198,246	22,086	176,160
2000/01	202,980	7,947	12.73	101,165	12,900	88,265
1999/00	342,000	15,310	12.23	187,241	28,192	159,049
TOTAL	943,847	38,613		486,652	63,178	423,474

Fresno Unified did in good faith implement the Notice of Truancy by sending out letters. Unfortunately, the letters were missing 3 of the 5 elements within the letter. To reduce the claim to zero shows that the District did not incur any costs to implement the mandate, when in fact we can offset the claim with the habitual truancy letter of \$423,474.

Fresno Unified claimed \$943,847 and has received \$672,900 against that claim. We believe the claim should be revised to \$423,474 for these years and that Fresno Unified should return \$249,426 to the State for the discrepancies.

Sincerely,



Paul C. Disario
 Associate Superintendent/CFO

Attachments

- c: Walt Buster, Interim Superintendent
- Paul Disario, Associate Superintendent/CFO
- Jacque Canfield, Fiscal Services Administrator
- Bob Pankratz, Students Services Administrator

For PSSC, See Work Paper # 10 1/5

An Equal Opportunity Employer

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

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

FRESNO UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2005, through June 30, 2008



JOHN CHIANG
California State Controller

January 2011



JOHN CHIANG
California State Controller

January 28, 2011

Michelle Arax Asadoorian, President
Board of Education
Fresno Unified School District
2309 Tulare Street
Fresno, CA 93721

Dear Ms. Asadoorian:

The State Controller's Office audited the costs claimed by the Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$71,453. Allowable costs claimed exceed the amount paid by \$1,061,841.

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/vb

cc: Michael E. Hanson, Superintendent
Fresno Unified School District
Ruth Quinto, Deputy Superintendent/Chief Financial Officer
Fresno Unified School District
Jacquie Canfield, Administrator
Fiscal Services
Fresno Unified School District
Tammy Townsend, Financial Analyst
Fiscal Services
Fresno Unified School District
Larry Powell County Superintendent of Schools
Fresno County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$71,453. Allowable costs claimed exceed the amount paid by \$1,061,841.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notified parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 30, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. 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 Notification of Truancy Program for the period of July 1, 2005, through June 30, 2008.

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.

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 Fresno Unified School District claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable.

The State paid the district \$71,453. Our audit disclosed that \$1,133,294 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,061,841, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 24, 2010. Ruth F. Quinto, Deputy Superintendent/CFO, Administrative Services, responded by letter dated December 9, 2010 (Attachment), disagreeing 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 the Fresno Unified School District, the Fresno 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

January 28, 2011

**Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	27,296	24,556	(2,740)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 424,180</u>	381,600	<u>\$ (42,580)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 381,600</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	18,876	26,427	7,551	Finding 1
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	304,847	426,796	121,949	
Less allowable costs that exceed costs claimed ²	—	(121,949)	(121,949)	
Total program costs	<u>\$ 304,847</u>	304,847	<u>\$ —</u>	
Less amount paid by the State		(71,442)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 233,405</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	29,551	25,958	(3,593)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	510,641	448,554	(62,087)	
Less late filing penalty	(1,707)	(1,707)	—	
Total program costs	<u>\$ 508,934</u>	446,847	<u>\$ (62,087)</u>	
Less amount paid by the State		(11)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 446,836</u>		
<u>Summary: July 1, 2005, through June 30, 2008</u>				
Total costs	\$ 1,239,668	\$ 1,256,950	\$ 17,282	
Less late filing penalty	(1,707)	(1,707)	—	
Less allowable costs that exceed costs claimed ²	—	(121,949)	(121,949)	
Total program costs	<u>\$ 1,237,961</u>	1,133,294	<u>\$ (104,667)</u>	
Less amount paid by the State		(71,453)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,061,841</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 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 2006-07.

Findings and Recommendations

FINDING 1— Understated and unallowable initial truancy notifications

The district claimed costs for unallowable initial truancy notifications, but also understated the total number of initial truancy notifications distributed. For the audit period, the district understated claimed costs by \$177,044. The understated costs resulted for the following reasons:

- The district's records show that the district understated the total number of initial truancy notifications claimed for fiscal year (FY) 2005-06 and FY 2006-07.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district claimed initial truancy notifications distributed for independent study students. Independent study students are not subject to initial truancy notification requirements.
- The district claimed multiple truancy notifications that it distributed for the same student during the school year. Only the initial truancy notification is eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2005-06	2006-07	2007-08	
Number of initial truancy notifications documented	31,641	26,787	29,551	
Less number of initial truancy notifications claimed	27,296	18,876	29,551	
Understated number of initial truancy notifications	4,345	7,911	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ 67,521	\$ 127,763	\$ —	\$ 195,284
Number of initial truancy notifications distributed for charter school students	(422)	(360)	(300)	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (6,558)	\$ (5,814)	\$ (5,184)	(17,556)
Number of initial truancy notifications distributed for independent study students	(42)	—	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (653)	\$ —	\$ —	(653)
Duplicate initial truancy notifications	(2)	—	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (31)	\$ —	\$ —	(31)
Audit adjustment	\$ 60,279	\$ 121,949	\$ (5,184)	\$ 177,044

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We recommend that the district exclude from this count those letters that it distributes for charter school and independent study students, and multiple letters that it distributes for the same student during the school year.

District's Response

The District has no significant issue regarding the disallowed truancy notifications. Some of the issues raised in the report, such as charter school eligibility, are being addressed by others outside this process through litigation. . . . The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. . . .

SCO's Comment

Our finding and recommendation are unchanged. The district's response does not specifically address the understated initial truancy notifications, notifications distributed for independent study students, and multiple notifications distributed for the same student during the school year.

The district appears to disagree with the unallowable initial truancy notifications attributable to charter school students. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates (CSM) issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$159,762. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified these students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded community day school students from the population sampled (62 students for FY 2005-06 and 74 students for FY 2007-08).

For each group, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group. We did not select samples for FY 2006-07 because the district significantly understated total initial truancy notifications for that fiscal year (see Finding 1).

The district claimed non-reimbursable initial truancy notifications for the following reasons:

- For FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2007-08, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications:

	<u>Fiscal Year</u>	
	<u>2005-06</u>	<u>2007-08</u>
Number of unexcused absences and tardiness occurrences accumulated during the school year:		
Daily attendance accounting:		
Three total (FY 2005-06 only)	(7)	—
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(23)	—
Fewer than three while between ages 6 and 18 (FY 2007-08 only)	—	(15)
Fewer than three total	<u>(2)</u>	<u>(6)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(32)</u>	<u>(21)</u>
Period attendance accounting:		
Three total (FY 2005-06 only)	(20)	—
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(8)	
Fewer than three while between ages 6 and 18 (FY 2007-08 only)	—	(5)
Fewer than three total	<u>(3)</u>	<u>(6)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(31)</u>	<u>(11)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year		Total
	2005-06	2007-08	
Daily attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(32)	(21)	
Statistical sample size	÷ 149	÷ 149	
Unallowable percentage	(21.48)%	(14.09)%	
Population sampled	× 19,145	× 16,891	
Extrapolated number of unallowable initial truancy notifications	(4,112)	(2,380)	
Uniform cost allowance	× \$15.54	× \$17.28	
Unallowable costs, daily attendance accounting	\$ (63,900)	\$ (41,126)	\$ (105,026)
Period attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(31)	(11)	
Statistical sample size	÷ 148	÷ 148	
Unallowable percentage	(20.95)%	(7.43)%	
Population sampled	× 11,968	× 12,286	
Extrapolated number of unallowable initial truancy notifications	(2,507)	(913)	
Uniform cost allowance	× \$15.54	× \$17.28	
Unallowable costs, period attendance accounting	\$ (38,959)	\$ (15,777)	(54,736)
Audit adjustment	\$ (102,859)	\$ (56,903)	\$ (159,762)

Education Code section 48260, subdivision (a), as amended in 1994, states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The CSM did not amend the parameters and guidelines until July 1, 2006. Therefore, an FY 2005-06 initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The District has no significant issue regarding the disallowed truancy notifications . . . The SCO's audit methodology, with which the District disagrees, is being challenged through the Commission on State Mandates. The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. . . .

SCO's Comment

Our finding and recommendation are unchanged. The district states that it disagrees with the "SCO's audit methodology." The SCO conducted an audit entrance conference with district representatives on November 30, 2009. At that time, the SCO notified district representatives that the audit process would include reliance on statistical sampling. District representatives did not voice any objection at that time. The district's response provides no specifics regarding its disagreement; therefore, we are unable to comment further on the district's response.

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



Preparing Career Ready Graduates

BOARD OF EDUCATION

Michelle A. Asadoorian, President
Janet Ryan, Clerk
Valerie F. Davis
Lindsay Cal Johnson
Carol Mills, J.D.
Larry A. Moore
Tony Vang, Ed.D.

SUPERINTENDENT

Michael E. Hanson

December 9, 2010

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Fresno Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2007/08

This letter responds to the draft audit report issued November 24th by the State Controllers Office (SCO) regarding costs claimed by Fresno Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2005/06 through 2007/08. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings.

The District has no significant issue regarding the disallowed truancy notifications. Some of the issues raised in the report, such as charter school eligibility, are being addressed by others outside this process through litigation. The SCO's audit methodology, with which the District disagrees, is being challenged through the Commission on State Mandates. The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. Additionally the District has taken the necessary steps to resolve the findings where appropriate.

The District once again thanks the SCO for this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Sincerely,

Ruth F. Quinto, Deputy Superintendent/CFO
Administrative Services

cc: Michael Hanson
Jacquie Canfield
Tammy Townsend

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

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

FRESNO UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2009, through June 30, 2012



BETTY T. YEE
California State Controller

May 2015



BETTY T. YEE
California State Controller

May 4, 2015

Lindsay Cal Johnson, President
Board of Education
Fresno Unified School District
2309 Tulare Street
Fresno, CA 93721

Dear Mr. Johnson:

The State Controller's Office audited the costs claimed by Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$1,719,341 for the mandated program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable. The costs are unallowable primarily because the district claimed unallowable initial truancy notifications. The State paid the district \$84,815. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, 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, CPA
Chief, Division of Audits

JVB/lis

cc: Michael Hanson, Superintendent
Fresno Unified School District
Ruth Quinto, Deputy Superintendent/CFO
Fresno Unified School District
Jacquie Canfield, Fiscal Services Executive Officer
Fresno Unified School District
Jamie Perry, Senior Director
District Financial Services
Fresno County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5
Attachment—District’s Response to Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$1,719,341 for the mandated program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable. The costs are unallowable primarily because the district claimed unallowable initial truancy notifications. The State paid the district \$84,815. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent of guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents of guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of infraction to prosecution; (4) alternative educational programs are available in the district; (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege, and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. 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.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2009, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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, Fresno Unified School District claimed \$1,719,341 for costs of the Notification of Truancy Program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable.

The State paid the district \$84,815. Our audit found that \$1,646,247 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 11, 2015. Jacquie Canfield, Fiscal Services Executive Officer; and Eugene Trofimenko, Financial Analyst II, agreed with the audit results. Ms. Canfield declined a draft audit report and agreed that we could issue the audit report as final.

On April 6, 2015, we provided the district with a preliminary final audit report. On April 9, 2015, Ruth Quinto, Deputy Superintendent/CFO, provided a letter response, stating in part that, "The District has no significant issue regarding the disallowed truancy notifications." The district's comments were in response to the preliminary final audit report, rather than to a draft audit report.

Restricted Use

This report is solely for the information and use of the Fresno Unified School District, the Fresno 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, CPA
Chief, Division of Audits

May 4, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2009, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	24,164	23,387	(777)	Finding 1,2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs	<u>\$ 431,811</u>	\$ 417,926	<u>\$ (13,885)</u>	
Less amount paid by the State		<u>(84,815)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 333,111</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	25,246	24,700	(546)	Finding 1,2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs	<u>\$ 461,749</u>	\$ 451,763	<u>\$ (9,986)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 451,763</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	43,669	41,066	(2,603)	Finding 1,2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs	<u>\$ 825,781</u>	\$ 776,558	<u>\$ (49,223)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 776,558</u>		
<u>Summary: July 1, 2009, through June 30, 2012</u>				
Total program costs	<u>\$ 1,719,341</u>	\$ 1,646,247	<u>\$ (73,094)</u>	
Less amount paid by the State		<u>(84,815)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,561,432</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported and unallowable initial truancy notifications

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$47,720. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented matched exactly in two fiscal years, but was overstated by one notification in FY 2010-11.
- The documented initial truancy notifications included notifications distributed for students who would have been 6 years old for the entire school year. Per Education Code section 48200, persons between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, any unexcused absences or truancy occurrences before the student turns age 6 are not reimbursable. Students who were age 5 for the entire school year were not subject to compulsory full-time education.
- The number of initial truancy notifications documented included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The number of initial truancy notifications documented included notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.

The following table summarizes the audit adjustments:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
Number of initial truancy notifications documented	24,164	25,245	43,669	
Less number of initial truancy notifications claimed	(24,164)	(25,246)	(43,669)	
Overstated/understated number of claimed initial truancy notifications	–	(1)	–	
Less students under age 6 entire school year	–	–	(1,670)	
Less independent study students	(335)	(349)	–	
Less charter school students	(192)	–	(17)	
Total overstated/understated initial truancy notifications	(527)	(350)	(1,687)	
Uniform cost allowance	\$ 17.87	\$ 18.29	\$ 18.91	
Unallowable costs	\$ (9,417)	\$ (6,402)	\$ (31,901)	\$(47,720)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

FINDING 2— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$25,374. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as a truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population. As the district accounts for attendance differently depending on grade level, we stratified the population into two groups; daily attendance accounting and period attendance accounting. We selected our samples from the lists of students that the district provided.

The following table summarizes the non-reimbursable initial truancy notifications identified by our statistical sample:

	Fiscal Year		
	2009-10	2010-11	2011-12
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(1)	(2)	(6)
Fewer than three total	(2)	—	(2)
Unallowable initial truancy notifications	(3)	(2)	(8)

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each year sampled:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
<u>Daily attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(2)	(2)	(8)	
Statistical sample size	÷ 148	÷ 149	÷ 149	
Unallowable percentage	(1.35%)	(1.34%)	(5.37%)	
Population sampled	× 13,320	× 14,635	× 17,051	
Extrapolated number of unallowable initial truancy notifications	(180)	(196)	(916)	
Uniform cost allowance	\$17.87	\$18.29	\$18.91	
Audit adjustment, daily attendance accounting ¹	\$ (3,217)	\$ (3,584)	\$ (17,322)	\$ (24,123)
<u>Period attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(1)	—	—	
Statistical sample size	÷ 148	÷ 148	÷ 149	
Unallowable percentage	(0.68%)	(0.00%)	(0.00%)	
Population sampled	× 10,317	× 10,261	× 24,931	
Extrapolated number of unallowable initial truancy notifications	(70)	—	—	
Uniform cost allowance	\$17.87	\$18.29	\$18.91	
Audit adjustment, period attendance Accounting ¹	\$ (1,251)	\$ —	\$ —	\$ (1,251)
Total audit adjustment	\$ (4,468)	\$ (3,584)	\$ (17,322)	\$ (25,374)

¹ Calculation differences due to rounding

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

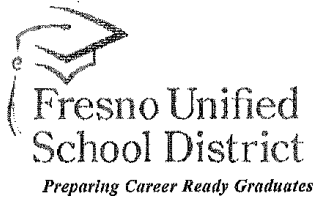
The parameters and guidelines (section I – Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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



BOARD OF EDUCATION

Lindsay Cai Johnson, President
Christopher De La Cerda, Clerk
Brooke Ashjian
Luis A. Chavez
Valerie F. Davis
Carol Mills, J.D.
Janel Ryan

SUPERINTENDENT
Michael E. Hanson

April 9, 2015

Jim L. Spano, CPA
Chief Compliance Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Fresno Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2008/09 thru 2011/12

This letter responds to the draft audit report issued April 6, 2015 by the State Controllers Office (SCO) regarding costs claimed by Fresno Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2008/09 through 2011/12. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings.

The District has no significant issue regarding the disallowed truancy notifications. The District has taken the necessary steps to resolve the findings. Additionally while the District did opt for the block grant in 2012/13, we continued the truancy notifications and other mandated activities as required.

The District once again thanks the SCO for this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Sincerely,

Ruth F. Quinto, Deputy Superintendent/CFO
Administrative Services

cc: Michael Hanson
Jacquie Canfield
Eugene Trofimenko

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

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

GRANT JOINT UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2002, through June 30, 2008



JOHN CHIANG
California State Controller

May 2010



JOHN CHIANG
California State Controller

May 28, 2010

Michelle Rivas, President
Board of Trustees
Twin Rivers Unified School District
3222 Winona Way
North Highlands, CA 95660

Dear Ms. Rivas:

The State Controller's Office audited the costs claimed by the Grant Joint Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008. Effective July 1, 2008, Grant Joint Union High School District merged with other school districts to form Twin Rivers Unified School District.

The district claimed \$725,551 for the mandated program. Our audit disclosed that \$640,659 is allowable and \$84,892 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notification letters. The State paid the district \$232,196. Allowable costs claimed exceed the amount paid by \$408,463.

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: Frank Porter, Superintendent
Twin Rivers Unified School District
Rob Ball, Associate Superintendent, Business Support Services
Twin Rivers Unified School District
Kate Ingersoll, Director of Budget Services
Twin Rivers Unified School District
Rob Roach, Mandated Cost Analyst
Twin Rivers Unified School District
David W. Gordon, County Superintendent of Schools
Sacramento County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Angie Teng, Section Supervisor
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	6
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Grant Joint Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008. Effective July 1, 2008, Grant Joint Union High School District merged with other school districts to form Twin Rivers Unified School District.

The district claimed \$725,551 for the mandated program. Our audit disclosed that \$640,659 is allowable and \$84,892 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notification letters. The State paid the district \$232,196. Allowable costs claimed exceed the amount paid by \$408,463.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notified a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

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.

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, Grant Joint Union High School District claimed \$725,551 for costs of the Notification of Truancy Program. Our audit disclosed that \$640,659 is allowable and \$84,892 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$57,143. Our audit disclosed that the entire amount is allowable.

For the FY 2003-04 claim, the State paid the district \$61,060. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$84,523. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$136,846 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$29,470. Our audit disclosed that \$151,390 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$121,920, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit disclosed that \$149,697 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on March 5, 2010. Kate Ingersoll, Director of Budget Services, responded by letter dated March 22, 2010 (Attachment). The district agreed with some individual issues presented in the audit results and disagreed with others. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Twin Rivers Unified School District, the Sacramento 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

May 28, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference¹</u>
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	4,329	4,520	191	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Subtotal ²	\$ 57,143	\$ 59,664	\$ 2,521	
Audit adjustments that exceed costs claimed	—	(2,521)	(2,521)	
Total program costs	<u>\$ 57,143</u>	57,143	<u>\$ —</u>	
Less amount paid by the State		(57,143)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	4,470	5,237	767	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Subtotal ²	\$ 61,060	\$ 71,537	\$ 10,477	
Audit adjustments that exceed costs claimed	—	(10,477)	(10,477)	
Total program costs	<u>\$ 61,060</u>	61,060	<u>\$ —</u>	
Less amount paid by the State		(61,060)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	5,919	7,015	1,096	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Subtotal ²	\$ 84,523	\$ 100,174	\$ 15,651	
Audit adjustments that exceed costs claimed	—	(15,651)	(15,651)	
Total program costs	<u>\$ 84,523</u>	84,523	<u>\$ —</u>	
Less amount paid by the State		(84,523)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	10,440	8,806	(1,634)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs ²	<u>\$ 162,238</u>	\$ 136,846	<u>\$ (25,392)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 136,846</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	10,211	9,374	(837)	Findings 1, 2
Uniform cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 164,908</u>	\$ 151,390	<u>\$ (13,518)</u>	
Less amount paid by the State		<u>(29,470)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 121,920</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	11,324	8,663	(2,661)	Findings 1, 2
Uniform cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 195,679</u>	\$ 149,697	<u>\$ (45,982)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 149,697</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 725,551</u>	\$ 640,659	<u>\$ (84,892)</u>	
Less amount paid by the State		<u>(232,196)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 408,463</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

**FINDING 1—
Overstated and understated initial truancy notifications claimed**

The district claimed unallowable costs totaling \$28,970. The costs are unallowable because:

- The district’s attendance records did not support the number of initial truancy notification letters that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year.
- The district claimed duplicate initial truancy notification letters by claiming more than one letter for an individual student.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of initial truancy notifications documented:							
Period attendance reporting	4,749	5,309	7,419	9,443	9,566	8,901	45,387
Daily attendance reporting	—	4	2	13	4	2	25
Number of initial truancy notifications claimed	(4,329)	(4,470)	(5,919)	(10,440)	(10,211)	(11,324)	(46,693)
Unallowable initial truancy notifications	420	843	1,502	(984)	(641)	(2,421)	(1,281)
Uniform cost allowance	×\$13.20	×\$13.66	×\$14.28	×\$15.54	×\$16.15	×\$17.28	
Audit adjustment	\$ 5,544	\$ 11,515	\$ 21,449	\$ (15,291)	\$ (10,352)	\$ (41,835)	\$ (28,970)

The program’s parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We recommend that the district exclude from this count any duplicate letters that it distributes for the same student.

District’s Response

The State Controller’s Office (SCO) determined that the district claimed unallowable costs totaling \$32,826. . . .

The district agrees with the findings in part.

Duplicate Notifications Claimed – During the course of the audit it became apparent that there were some truancy letters that were inadvertently claimed twice. . . .

Attendance Accounting System Discrepancies – Throughout the audit process, the district made it clear to the auditors its attendance accounting system (AERIES) was not the primary source of documentation for the claims subject to this audit. Rather the district maintains photocopies of each letter sent and takes a hard count to create the claim. The district made available its copies of the letters in support of the claims but the auditors chose to audit spreadsheets created by AERIES rather than the letters that were used to create the claims.

The AERIES system is designed to document attendance accounting. This is important since attendance information is fluid and records can be changed throughout the school year. For instance if a parent receives a truancy letter and calls into the school to clear an absence, in prior years the records contained in AERIES would not be able to show an auditor what the attendance was on the date the letter was originally created. In this example AERIES was incapable of showing the auditors what the attendance was on the date the truancy notice was created.

The district was able to produce weekly attendance reports that showed in many cases what the attendance was on the day the letter was created.

Ineligible Costs Claimed – In the 2007/08 fiscal year the district claimed letters from its independent study program and some letters from its charter schools; neither program were eligible for mandate reimbursement.

SCO's Comment

We revised our audit finding to correct a transposition error and resulting erroneous calculation presented in the draft audit report. Our recommendation is unchanged.

In our draft audit report, we incorrectly identified the FY 2004-05 number of initial truancy notifications attributable to period attendance accounting. Our draft audit report identified 7,149 initial truancy notifications; the correct number is 7,419.

The district acknowledges that duplicate notifications and notifications issued for independent study and charter school students are not reimbursable.

The district infers that the audit report misstates the actual number of initial truancy notifications issued because we identified the population from the district's automated records rather than from photocopies of notifications issued. Throughout our audit fieldwork, we worked with the district's representative to identify the total number of notifications issued for each fiscal year. The district has not provided any documentation to refute the number of initial truancy notifications identified in the audit finding.

**FINDING 2—
Non-reimbursable
initial truancy
notification letters
claimed**

The district claimed non-reimbursable initial truancy notifications totaling \$27,273. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented for students subject to period attendance reporting. We used a statistical sample so that we could project the sample results to the population. We separately validated attendance records for those students subject to daily attendance reporting.

For FY 2002-03 through FY 2005-06, the district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences while between the ages of 6 and 18. For FY 2006-07 and FY 2007-08, the district claimed unallowable initial truancy notifications for students who accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of unallowable initial truancy notifications	(7)	(2)	(8)	(10)	(3)	(4)	
Sample size	÷ 145	÷ 146	÷ 147	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(4.83)%	(1.37)%	(5.44)%	(16.76)%	(2.03)%	(2.70)%	
Number of initial truancy notifications documented—period attendance reporting	× 4,749	× 5,309	× 7,419	× 9,443	× 9,566	× 8,901	
Unallowable initial truancy notifications—period attendance reporting	(229)	(73)	(404)	(638)	(194)	(240)	
Unallowable initial truancy notifications—daily attendance reporting	—	(3)	(2)	(12)	(2)	—	
Total number of unallowable initial truancy notifications	(229)	(76)	(406)	(650)	(196)	(240)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (3,023)	\$ (1,038)	\$ (5,798)	\$ (10,101)	\$ (3,166)	\$ (4,147)	\$ (27,273)

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2002-03 through FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2002-03 through FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The SCO determined that the district claimed non-reimbursable initial truancy notifications. . . .

The district agrees with part of this finding but did locate and send documentation to the SCO that should reduce the total audit adjustment.

Attendance Records/Weekly Attendance Reports – The district was able to locate Weekly Attendance Reports that support the district's position that initial truancy notifications were sent to students who were in fact truant under the Parameters and Guidelines (P's & G's) definition. District staff sent . . . documentation . . . in support of this position for the following claims:

2005/2006 – In the draft audit findings the SCO determined that from a sample of 148 students, 14 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 6 of the 14 students. . . .

2006/2007 – In the draft audit findings the SCO determined that from a sample of 148 students, 6 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 4 of the 6 students. . . .

2007/2008 – In the draft audit findings the SCO determined that from a sample of 148 students, 5 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 3 of the 5 students. . . .

Notifications Sent to Students That Are 18 – The district acknowledges that it had claimed notifications that were sent to students who were 18 years old.

Parameters & Guidelines vs. Education Code – Likewise the district acknowledges that it claimed reimbursement for initial truancy letters for the 2002/03, 2003/04, 2004/05, and 2005/06 school years.

The district must emphasize however that while, it did not meet the P's & G's definition of truancy as approved by the Board of Control in 1984 and applied by the SCO in this audit, it did meet the legal definition of truancy as defined in the current version of Education Code 48260 (a). . . .

SCO's Comment

Attendance Records/Weekly Attendance Reports

We reviewed the additional documentation that the district submitted. We revised our finding to allow eight initial truancy notifications that we previously identified as unallowable in our draft audit report. We allowed four additional initial truancy notifications in FY 2005-06, three in FY 2006-07, and one in FY 2007-08. Our recommendation is unchanged.

We also revised our audit finding to correct a transposition error and resulting erroneous calculation presented in the draft audit report. In our draft audit report, we incorrectly identified the FY 2004-05 number of initial truancy notifications attributable to period attendance accounting. Our draft audit report identified 7,149 initial truancy notifications; the correct number is 7,419.

Parameters and Guidelines versus Education Code

The district stated that it distributed initial truancy notifications in accordance with Education Code section 48260, subdivision (a), for FY 2002-03 through FY 2005-06. Although the district complied with the Education Code, the district has overlooked the difference between its statutory responsibility versus mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. For FY 2002-03 through FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Changes to the System

We commend the district for initiating system modifications that will allow it to support the number of initial truancy notifications issued.

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

TwinRivers

UNIFIED SCHOOL DISTRICT



BOARD OF TRUSTEES

*Michelle Rivas
President*

*Bob Bastian
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Linda Fowler

Janis Green

Roger Westrup

*Frank Porter
Superintendent*

*Our Mission:
To inspire each student to
extraordinary achievement
every day.*

March 22, 2010

Mr. Jim Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Grant Joint Union High School District
Chapter 498, Statutes of 1983
Notification of Truancy Program Audit
Fiscal Years 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007 & 2007/2008

Dear Mr. Spano:

This letter is in response of Grant Joint Union High School District to the letter dated on March 5, 2010, from Jeffery Brownfield and received by the District on March 12, 2010, which transmits a draft copy of the audit report of the District's Notification of Truancy annual reimbursement claims for the period of July 1, 2002 through June 30, 2008.

Please note that as of July 1, 2008 the Grant Joint Union High School District ceased to exist and merged along with three other school districts into the new Twin Rivers Unified School District, hence the district response will come from Twin Rivers Unified School District staff.

Finding # 1 – Overstated and understated initial truancy notifications claimed

The State Controller's Office (SCO) determined that the district claimed unallowable costs totaling \$32,826. The costs are unallowable because:

- *"The district's attendance records did not support the number of initial truancy notification letters that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year".*
- *"The district claimed duplicate initial truancy notification letters by claiming more than one letter for an individual student".*

The district agrees with the findings in part.

Duplicate Notifications Claimed - During the course of the audit it became apparent that there were some truancy letters that were inadvertently claimed twice. Usually this occurred when a student transferred from one school to another within the district and a second initial truancy notice was issued by the new school or letters were sent to multiple addresses associated with the student and the district claimed more than one notice.

Attendance Accounting System Discrepancies - Throughout the audit process, the district made it clear to the auditors its attendance accounting system (AERIES) was not the primary source of documentation for the claims subject to this audit. Rather the

District Address: 5115 Dudley Blvd. McClellan CA 95652
Mailing Address: 3222 Winona Way North Highlands CA 95660
(916) 566-1600 FAX (916) 566-1784 www.twinriversusd.org

district maintains photocopies of each letter sent and takes a hard count to create the claim. The district made available its copies of the letters in support of the claims but the auditors chose to audit spreadsheets created by AERIES rather than the letters that were used to create the claims.

The AERIES system is designed to document attendance accounting. This is important since attendance information is fluid and records can be changed throughout the school year. For instance if a parent receives a truancy letter and calls into the school to clear an absence, in prior years the records contained in AERIES would not be able to show an auditor what the attendance was on the date the letter was originally created. In this example AERIES was incapable of showing the auditors what the attendance was on the date the truancy notice was created.

The district was able to produce weekly attendance reports that showed in many cases what the attendance was on the day the letter was created.

Ineligible Costs Claimed- In the 2007/08 fiscal year the district claimed letters from its independent study program and some letters from its charter schools; neither program were eligible for mandate reimbursement.

Finding # 2 – Non-reimbursable initial truancy notification letters claimed

The SCO determined that the district claimed non-reimbursable initial truancy notifications totaling \$35,192. The costs are unallowable because:

- *“The district claimed initial truancy notifications that it distributed to students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program”.*

The district agrees with part of this finding but did locate and send documentation to the SCO that should reduce the total audit adjustment.

Attendance Records/Weekly Attendance Reports – The district was able to locate Weekly Attendance Reports that support the district’s position that initial truancy notifications were sent to students who were in fact truant under the Parameters and Guidelines (P’s & G’s) definition. District staff sent three electronic mail messages along with scanned documentation dated March 19, 2010 to the SCO in support of this position for the following claims:

2005/2006 – In the draft audit findings the SCO determined that from a sample of 148 students, 14 were the unallowable. The unallowable percentage was 9.46% (905 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$14,064 in finding # 2 for the 2005/2006 claim.

The district was able to locate Weekly Attendance Reports for 6 of the 14 students. The reports affirm that each of the 6 students had at least 4 unexcused absences as defined in the P’s & G’s on the date the initial truancy notification was created.

It is the district’s position that the SCO should reduce the unallowable percentage to 5.41% (523 letters) for a total audit adjustment of \$8,127 in finding # 2 for the 2005/2006 claim.

2006/2007 – In the draft audit findings the SCO determined that from a sample of 148 students, 6 were the unallowable. The unallowable percentage was 4.05% (389 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$6,283 in finding # 2 for the 2006/2007 claim.

The district was able to locate Weekly Attendance Reports for 4 of the 6 students. The reports affirm that each of the 4 students had at least 3 unexcused absences as defined in the P’s & G’s on the date the

initial truancy notification was created.

It is the district's position that the SCO should reduce the unallowable percentage to 1.36% (132 letters) for a total audit adjustment of \$2,132 in finding # 2 for the 2006/2007 claim.

2007/2008 – In the draft audit findings the SCO determined that from a sample of 148 students, 5 were the unallowable. The unallowable percentage was 3.38% (301 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$5,201 in finding # 2 for the 2007/2008 claim.

The district was able to locate Weekly Attendance Reports for 3 of the 5 students. The reports affirm that each of the 3 students had at least 3 unexcused absences as defined in the P's & G's on the date the initial truancy notification was created.

It is the district's position that the SCO should reduce the unallowable percentage to 1.36% (121 letters) for a total audit adjustment of \$2,091 in finding # 2 for the 2007/2008 claim.

Notifications Sent to Students That Are 18 – The district acknowledges that it had claimed notifications that were sent to students who were 18 years old.

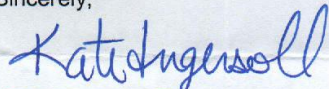
Parameters & Guidelines vs. Education Code - Likewise the district acknowledges that it claimed reimbursement for initial truancy letters for the 2002/03, 2003/04, 2004/05 and 2005/06 school years.

The district must emphasize however that while, it did not meet the P's & G's definition of truancy as approved by the Board of Control in 1984 and applied by the SCO in this audit, it did meet the legal definition of truancy as defined in the current version of Education Code 48260 (a).

The district extends its thanks to State Controller John Chiang for sponsoring legislation (AB 1698, Eng) to fix this program back in 2007 by aligning the parameters and guidelines with current education code.

Changes to the System – In the 2009/2010 school year there has been a number of updates to the AERIES attendance accounting system that allows the district to view the attendance record of students on the date a truancy notice is created. The AERIES system now records any changes made to the attendance records with dates and electronic signatures for reference. The changes will enable the district to provide better support in the future.

Sincerely,



Kate Ingersoll, CPA
Director of Budget Services
Twin Rivers Unified School District

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

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

GROSSMONT UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2007, through June 30, 2011



JOHN CHIANG
California State Controller

November 2014



JOHN CHIANG
California State Controller

November 4, 2014

Robert Shield, President, Governing Board
Grossmont Union High School District
1100 Murray Drive
El Cajon, CA 92020

Dear Mr. Shield:

The State Controller's Office audited the costs claimed by Grossmont Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$731,326 for the mandated program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable. The costs are unallowable primarily because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$78,170. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, 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, CPA
Chief, Division of Audits

JVB/kw

cc: Ralf Swenson, Superintendent
Grossmont Union High School District
Scott Patterson, Deputy Superintendent, Business Services
Grossmont Union High School District
Ken Leighton, Executive Director, Fiscal Services
Grossmont Union High School District
Rick Roberts, Executive Director, Education Technology Services
Grossmont Union High School District

Andi Loree, Internal Auditor
Grossmont Union High School District
Brent Watson, Executive Director
Business Advisory Services
San Diego County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Senior Fiscal Policy Advisor
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Grossmont Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$731,326 for the mandated program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable. The costs are unallowable primarily because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$78,170. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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, Grossmont Union High School District claimed \$731,326 for costs of the Notification of Truancy Program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable.

The State paid the district \$78,170. Our audit found that \$426,576 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on October 1, 2014. Ken Leighton, Executive Director, Fiscal Services; Andi Lorce, Internal Auditor; and Tracey St. John, Executive Secretary, agreed with the audit results. Mr. Leighton declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Grossmont 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, CPA
Chief, Division of Audits

November 4, 2014

Schedule 1— Summary of Program Costs July 1, 2007, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	15,469	6,048	(9,421)	Finding 1,2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 267,304</u>	<u>\$ 104,509</u>	<u>\$ (162,795)</u>	
Less amount paid by the State		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 104,500</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	14,412	6,410	(8,002)	Finding 1,2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs ²	<u>\$ 255,669</u>	<u>\$ 113,714</u>	<u>\$ (141,955)</u>	
Less amount paid by the State		(57,930)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 55,784</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	5,764	7,121	1,357	Finding 1,2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Subtotal	103,003	127,253	24,250	
Less allowable costs that exceed costs claimed ³	—	(24,250)	(24,250)	
Total program costs ²	<u>\$ 103,003</u>	<u>\$ 103,003</u>	<u>\$ —</u>	
Less amount paid by the State		(20,231)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 82,772</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	5,760	6,981	1,221	Finding 1,2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Subtotal	105,350	127,682	22,332	
Less allowable costs that exceed costs claimed ³	—	(22,332)	(22,332)	
Total program costs ²	<u>\$ 105,350</u>	<u>\$ 105,350</u>	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 105,350</u>		
<u>Summary: July 1, 2007, through June 30, 2011</u>				
Subtotal of program costs	\$ 731,326	\$ 473,158	\$ (258,168)	
Less allowable costs that exceed costs claimed	—	(46,582)	(46,582)	
Total program costs	<u>731,326</u>	426,576	<u>(304,750)</u>	
Less amount paid by the State		(78,170)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 348,406</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

³ Government Code section 17568 stipulated that the State will not reimburse any claims more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2009-10 and FY 2010-11.

Findings and Recommendations

FINDING 1— Unsupported and unallowable initial truancy notifications

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$251,728. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented did not support the number of initial truancy notifications claimed.
- The documented initial truancy notifications included notifications distributed for students more than once during each fiscal year (duplicate notifications), and for students that had turned 18 by the beginning of the school calendar year. Per Education Code Section 48200, persons between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, any unexcused absences or truancy occurrences after the student turned 18 are not reimbursable. Students that were 18 by the beginning of the school year were not subject to compulsory full-time education.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	6,595	7,125	7,803	7,637	
Less number of initial truancy notifications claimed	(15,469)	(14,412)	(5,764)	(5,760)	
Overstated/understated number of claimed initial truancy notifications	(8,874)	(7,287)	2,039	1,877	
Less duplicate students	(284)	(317)	(249)	(230)	
Less students over 18	(179)	(265)	(335)	(378)	
Total overstated/understated initial truancy notifications	(9,337)	(7,869)	1,455	1,269	
Uniform cost allowance	\$ 17.28	\$ 17.74	\$ 17.87	\$ 18.29	
Unallowable costs	\$ (161,343)	\$ (139,596)	\$ 26,001	\$ 23,210	\$ (251,728)

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the Parameters and Guidelines.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$6,440. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as a truant under the mandated program.

The following table summarizes the notifications sampled:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Period attendance accounting:				
Documented notifications	6,595	7,125	7,803	7,637
Less duplicate notifications (Finding 1)	(284)	(317)	(249)	(230)
Less students over 18 (Finding 1)	(179)	(265)	(335)	(378)
Total notifications sampled, period attendance accounting	<u>6,132</u>	<u>6,543</u>	<u>7,219</u>	<u>7,029</u>

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

For period attendance accounting students, the district's truancy policy was inconsistent with Education Code sections 48260, subdivision (a), and 48260.5. The district's policy was to classify a period attendance accounting student as truant only when the student accumulated three full day truant absences. However, we allowed initial truancy notifications for those students whose attendance records documented that the student accumulated three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Our testing found that eight students were non-reimbursable for the audit period because they had accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18 (two in FY 2007-08, three in FY 2008-09, two in FY 2009-10, and one in FY 2010-11).

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each year sampled:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(2)	(3)	(2)	(1)	
Statistical sample size	÷ 146	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(1.37)%	(2.04)%	(1.36)%	(0.68)%	
Population sampled	× 6,132	× 6,543	× 7,219	× 7,029	
Extrapolated number of unallowable initial truancy notifications	(84)	(133)	(98)	(48)	
Uniform cost allowance	\$ 17.28	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment, period attendance accounting ¹	<u>\$ (1,452)</u>	<u>\$ (2,359)</u>	<u>\$ (1,751)</u>	<u>\$ (878)</u>	<u>\$ (6,440)</u>

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines. We also recommend that the district revise its truancy policy to classify period attendance accounting students as truant, and issue the required initial truancy notifications, consistent with Education Code sections 48260, subdivision (a), and 48260.5.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

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

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

HUNTINGTON BEACH UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2007, through June 30, 2011



JOHN CHIANG
California State Controller

May 2013



JOHN CHIANG
California State Controller

May 8, 2013

Bonnie Castrey, President
Board of Trustees
Huntington Beach Union High School District
5832 Bolsa Avenue
Huntington Beach, CA 92649

Dear Ms. Castrey:

The State Controller's Office audited the costs claimed by the Huntington Beach Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$654,365 for the mandated program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

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, CPA
Chief, Division of Audits

JVB/nh

cc: Gregory Plutko, Ed.D., Superintendent
Huntington Beach Union High School District
Carrie Delgado, Assistant Superintendent of Business Services
Huntington Beach Union High School District
Don Austin, Ed.D., Assistant Superintendent of Educational Services
Huntington Beach Union High School District
Dawn Ahlers, Director of Fiscal Services
Huntington Beach Union High School District
Pam Beard, Senior Accountant
Huntington Beach Union High School District
Al Mijares, Ph.D., Superintendent of Schools
Orange County Department of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Huntington Beach Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$654,365 for the mandated program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

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.

Conclusion

Our audit found 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 Huntington Beach Union High School District claimed \$654,365 for costs of the Notification of Truancy Program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on April 11, 2013. Carrie Delgado, Assistant Superintendent, Business Services, and Mark Ford, Senior Systems Analyst, agreed with the audit results. Ms. Delgado declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Huntington Beach Union High School District, the Orange County Department 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, CPA
Chief, Division of Audits

May 8, 2013

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	8,874	8,359	(515)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 153,343</u>	144,444	<u>\$ (8,899)</u>	
Less amount paid by the State		(5)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 144,439</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	8,208	7,529	(679)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs ²	<u>\$ 145,610</u>	133,565	<u>\$ (12,045)</u>	
Less amount paid by the State		(32,993)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,572</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	9,973	8,760	(1,213)	Finding 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs ²	<u>\$ 178,218</u>	156,542	<u>\$ (21,676)</u>	
Less amount paid by the State		(35,005)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 121,537</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	9,688	8,313	(1,375)	Finding 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs	<u>\$ 177,194</u>	152,045	<u>\$ (25,149)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 152,045</u>		
<u>Summary: July 1, 2007, through June 30, 2011</u>				
Total program costs	<u>\$ 654,365</u>	\$ 586,596	<u>\$ (67,769)</u>	
Less amount paid by the State		(68,003)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 518,593</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

**FINDING 1—
Unallowable initial
truancy notifications**

The district claimed unallowable costs totaling \$5,105. The costs are unallowable because the district overstated the number of allowable initial truancy notifications distributed.

For fiscal year (FY) 2007-08 and FY 2008-09, the district provided a list of students for whom it distributed initial truancy notifications. However, each list included unallowable notifications. For some students, the district distributed more than one notification (duplicate notifications) to the students’ parents/guardians during the school year. A student’s initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2007-08	2008-09	
Duplicate notifications	(162)	(130)	
Uniform cost allowance	× \$17.28	× \$17.74	
Audit adjustment	<u>\$ (2,799)</u>	<u>\$ (2,306)</u>	<u>\$ (5,105)</u>

The program’s parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

Recommendation

We recommend that the district claim only one initial truancy notification per truant student for each school year.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$62,664. The district claimed notifications for students who did not accumulate the required number of unexcused absences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical samples:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Fewer than three while between ages 6 and 18	(6)	(10)	(18)	(20)
Fewer than three total	-	-	-	(1)
Unallowable initial truancy notifications	<u>(6)</u>	<u>(10)</u>	<u>(18)</u>	<u>(21)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of unallowable initial truancy notifications from statistical sample	(6)	(10)	(18)	(21)	
Statistical sample size	÷ 148	÷ 147	÷ 148	÷ 148	
Unallowable percentage	(4.05%)	(6.80%)	(12.16%)	(14.19%)	
Population sampled	× 8,712	× 8,078	× 9,973	× 9,688	
Extrapolated number of unallowable initial truancy notifications	(353)	(549)	(1,213)	(1,375)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment	<u>\$ (6,100)</u>	<u>\$ (9,739)</u>	<u>\$ (21,676)</u>	<u>\$ (25,149)</u>	<u>\$ (62,664)</u>

Education Code section 48260, subdivision (a), states:

A pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, shall be classified as a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications for only those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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

KERN HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

November 2006



STEVE WESTLY
California State Controller

November 29, 2006

Donald E. Carter, Ed.D., Superintendent
Kern High School District
5801 Sundale Avenue
Bakersfield, CA 93309

Dear Dr. Carter:

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed and was paid \$418,643 for the mandated program. Our audit disclosed that the entire amount is allowable.

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

cc: David Chalupa, Director of Fiscal Services
Kern High School District
Vicki Spanos, Attendance Administrator
Kern High School District
Larry E. Reider, Superintendent of Schools
Kern 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	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	2
Schedule 1—Summary of Program Costs.....	3

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was September 12, 2006.

The district claimed and was paid \$418,643 for the mandated program. Our audit disclosed that the entire amount is allowable.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when the pupil is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, a pupil is initially classified as truant upon the fourth unexcused absence for mandate-reimbursement purposes.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2000, 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

For the audit period, Kern High School District claimed and was paid \$418,643 for costs of the Notification of Truancy Program. Our audit disclosed no material instances of noncompliance with the requirements outlined above.

Views of Responsible Official

We discussed our audit results with the district's representative during an exit conference conducted on September 12, 2006. David Chalupa, Director of Fiscal Services, agreed with the audit results. Mr. Chalupa declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Kern High School District, the Kern 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, 2000, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>
<u>July 1, 2000, through June 30, 2001</u>		
Number of initial truancy notifications	10,793	10,793
Uniform cost allowance	× \$12.73	× \$12.73
Total program costs	<u>\$ 137,395</u>	137,395
Less amount paid by the State		<u>(137,395)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>July 1, 2001, through June 30, 2002</u>		
Number of initial truancy notifications	10,575	10,575
Uniform cost allowance	× \$12.91	× \$12.91
Total program costs	<u>\$ 136,523</u>	136,523
Less amount paid by the State		<u>(136,523)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>July 1, 2002, through June 30, 2003</u>		
Number of initial truancy notifications	10,964	10,964
Uniform cost allowance	× \$13.20	× \$13.20
Total program costs	<u>\$ 144,725</u>	144,725
Less amount paid by the State		<u>(144,725)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>Summary: July 1, 2000, through June 30, 2003</u>		
Total program costs	<u>\$ 418,643</u>	\$ 418,643
Less amount paid by the State		<u>(418,643)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>

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

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KERN HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2007, through June 30, 2011



JOHN CHIANG
California State Controller

May 2013



JOHN CHIANG
California State Controller

May 29, 2013

Bryan Batey, President
Board of Trustees
Kern High School District
5801 Sundale Avenue
Bakersfield, CA 93309-2924

Dear Mr. Batey:

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$1,244,571 for the mandated program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

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, CPA
Chief, Division of Audits

JVB/vb

cc: Donald E. Carter, Ed.D., Superintendent
Kern High School District
David Chalupa, Director, Fiscal Services
Kern High School District
Don McKenzie, Fiscal Services Accountant
Kern High School District
Lynn Bauer, Administrator, Attendance Accounting
Kern High School District
James L. Bartleson, President, Board of Education
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Scott Hannan, Director
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Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5

Audit Report

Summary

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$1,244,571 for the mandated program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

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.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are 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 Kern High School District claimed \$1,244,571 for costs of the Notification of Truancy Program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on May 14, 2013. David Chalupa, Director, Fiscal Services, and Don McKenzie, Assistant Director of Budget, agreed with the audit results. Mr. Chalupa declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Kern High School District, the Kern 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, CPA
Chief, Division of Audits

May 29, 2013

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2011**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u> ¹
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,984	17,380	(604)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs ²	<u>\$ 310,764</u>	<u>\$ 300,327</u>	<u>\$ (10,437)</u>
Less amount paid by the State		<u>(7)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 300,320</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	15,897	15,471	(426)
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Total program costs	<u>\$ 282,013</u>	<u>\$ 274,456</u>	<u>\$ (7,557)</u>
Less amount paid by the State		<u>(63,899)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 210,557</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,521	16,932	(589)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs	<u>\$ 313,100</u>	<u>\$ 302,575</u>	<u>\$ (10,525)</u>
Less amount paid by the State		<u>(61,498)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 241,077</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Number of initial truancy notifications	18,518	17,275	(1,243)
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29
Total program costs	<u>\$ 338,694</u>	<u>\$ 315,960</u>	<u>\$ (22,734)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 315,960</u>	
<u>Summary: July 1, 2007, through June 30, 2011</u>			
Total program costs	<u>\$ 1,244,571</u>	<u>\$ 1,193,318</u>	<u>\$ (51,253)</u>
Less amount paid by the State		<u>(125,404)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,067,914</u>	

¹ See the Finding and Recommendation section.

² Calculation differences due to rounding.

Finding and Recommendation

FINDING— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$51,253. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications claimed based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences before reaching age 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Fewer than three before age 18	(5)	(2)	(4)	(8)
Fewer than three total	<u>—</u>	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>
Unallowable initial truancy notifications	<u>(5)</u>	<u>(4)</u>	<u>(5)</u>	<u>(10)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each fiscal year:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of unallowable initial truancy notifications from statistical sample	(5)	(4)	(5)	(10)	
Statistical sample size	÷ 149	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(3.36)%	(2.68)%	(3.36)%	(6.71)%	
Population sampled	× 17,984	× 15,897	× 17,521	× 18,518	
Extrapolated number of unallowable initial truancy notifications	(604)	(426)	(589)	(1,243)	
Uniform cost allowable	× \$17.28	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment	<u>\$ (10,437)</u>	<u>\$ (7,557)</u>	<u>\$ (10,525)</u>	<u>\$ (22,734)</u>	<u>\$ (51,253)</u>

Education Code section 48260, subdivision (a), states:

A pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications for only those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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

LODI UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983;
Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995;
and Chapter 69, Statutes of 2007

July 1, 2008, through June 30, 2011



JOHN CHIANG
California State Controller

May 2014



JOHN CHIANG
California State Controller

May 23, 2014

Bonnie Cassel, President
Board of Education
Lodi Unified School District
1305 E. Vine Street
Lodi, CA 95240

Dear Ms. Cassel:

The State Controller's Office audited the costs claimed by Lodi Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$350,641 for the mandated program. Our audit found that \$306,211 is allowable and \$44,430 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$49,592. The State will pay allowable costs claimed that exceed the amount paid, totaling \$256,619, 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, CPA
Chief, Division of Audits

JVB/kw

cc: Cathy Washer, Ed.D., Superintendent
Lodi Unified School District
Tim Hern, Associate Superintendent/Chief Business Officer
Lodi Unified School District
Maria Fong, CPA, Senior Director/Controller
Lodi Unified School District
Bill Toledo, Child Welfare and Attendance Coordinator
Lodi Unified School District

KT Yorba, Director
District Business Services
San Joaquin County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Senior Fiscal Policy Advisor
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
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Jay Lal, Manager
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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

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Summary

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Background

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Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

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.

Conclusion

Our audit found 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, Lodi Unified School District claimed \$350,641 for costs of the Notification of Truancy Program. Our audit found that \$306,211 is allowable and \$44,430 is unallowable.

The State paid the district \$49,592. Our audit found that \$306,211 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$256,619, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on May 6, 2014. Tim Hern, Associate Superintendent/Chief Business Officer; Maria Fong, CPA, Senior Director/Controller; April Juarez, Accountant Budget Analyst; and Bill Toledo, Child Welfare and Attendance Coordinator, agreed with the audit results. Mr. Hern declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Lodi Unified School District, the San Joaquin 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, CPA
Chief, Division of Audits

May 23, 2014

**Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	6,453	4,934	(1,519)	Findings 1,2
Uniform cost allowance	× \$17.74 ×	× \$17.74 ×	× \$17.74	
Total program costs	<u>\$ 114,476</u>	87,529	<u>\$ (26,947)</u>	
Less amount paid by the State		(25,938)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,591</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	6,739	6,298	(441)	Findings 1,2
Uniform cost allowance	× \$17.87 ×	× \$17.87 ×	× \$17.87	
Total program costs	<u>\$ 120,426</u>	112,545	<u>\$ (7,881)</u>	
Less amount paid by the State		(23,654)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 88,891</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	6,328	5,803	(525)	Findings 1,2
Uniform cost allowance	× \$18.29 ×	× \$18.29 ×	× \$18.29	
Total program costs	<u>\$ 115,739</u>	106,137	<u>\$ (9,602)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 106,137</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 350,641</u>	\$ 306,211	<u>\$ (44,430)</u>	
Less amount paid by the State		(49,592)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 256,619</u>		

¹ See the Findings and Recommendations section.

² Calculation difference due to rounding.

Findings and Recommendations

FINDING 1— Unallowable initial truancy notifications

The district claimed unallowable costs totaling \$10,554. The district claimed costs for distributing 19,520 initial truancy notifications, but only provided support that it distributed 18,970. This represents a difference of 550 notifications (288 for FY 2008-09, 187 for FY 2009-10, and 75 for FY 2010-11). Of the notifications that the district did support, 20 were for students that appeared two or more times in the district's records (duplicate notifications) and 21 were for students involved in independent study programs. A student's initial truancy notification is the only notification eligible for mandated program reimbursement. Students that participate in independent study programs are not subject to compulsory attendance requirements and are, therefore, not reimbursable under the mandated program.

For fiscal year (FY) 2008-09, the district claimed costs for distributing 6,453 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 6,165 notifications, a difference of 288 initial truancy notifications. Additionally, there were 12 unallowable initial truancy notifications distributed for students participating in independent study programs based on the district's electronic list.

For FY 2009-10, the district claimed costs for distributing 6,739 truancy notifications. However, the list of students taken from its accounting system supported 6,552 notifications, a difference of 187 initial truancy notifications. Additionally, there were 20 unallowable notifications that were issued more than once for the same student (duplicate notifications) and 9 unallowable initial truancy notifications distributed for students participating in independent study programs based on the district's electronic list.

For FY 2010-11, the district claimed costs for distributing 6,328 truancy notifications. However, the list of students taken from its attendance accounting system supported 6,253 notifications, a difference of 75 initial truancy notifications.

The parameters and guidelines (section IV – Reimbursable Costs), state:

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.

The parameters and guidelines (section V.A – Claim Preparation, Uniform Cost Allowance Reimbursement), state:

Each claim for reimbursement pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program. Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian. The agency must maintain documentation that indicates the total number of initial notifications of truancy distributed.

The parameters and guidelines (section VI – Record Retention), state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller . . . and be made available at the request of the State Controller or his agent.

The following table summarizes the overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Initial truancy notifications supported by district	6,165	6,552	6,253	18,970
Less initial truancy notifications claimed	(6,453)	(6,739)	(6,328)	(19,520)
Unsupported initial truancy notifications	(288)	(187)	(75)	(550)
Unallowable duplicate notifications claimed	—	(20)	—	(20)
Unallowable independent study students	(12)	(9)	—	(21)
(Overclaimed) initial truancy notifications	(300)	(216)	(75)	(591)
Uniform cost allowance	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment	\$ (5,322)	\$ (3,860)	\$ (1,372)	\$ (10,554)

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the Parameters and Guidelines.

FINDING 2— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$33,876. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardiness to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on grade level, we stratified the population into

two groups: elementary students, and middle and high school students. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting system.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.
- For FY 2008-09, the district was unable to provide attendance records for some of the students included in our sample.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year		
	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(7)	(9)	(3)
Fewer than three total	(24)	(1)	(17)
No attendance records provided	(24)	—	—
Unallowable initial truancy notifications	<u>(55)</u>	<u>(10)</u>	<u>(20)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
<u>Elementary Schools</u>				
Unallowable initial truancy notifications	(14)	(9)	(3)	
Sample size	143	143	143	
Percentage of unallowable initial truancy notifications	-9.79%	-6.29%	-2.10%	
Population sampled	2,856	3,206	2,970	
Extrapolated number of unallowable initial truancy notifications	(280)	(202)	(62)	
Uniform cost allowance	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment - Elementary schools	<u>\$ (4,967)</u>	<u>\$ (3,610)</u>	<u>\$ (1,134)</u>	\$ (9,711)
<u>Middle/High Schools</u>				
Unallowable initial truancy notifications	(41)	(1)	(17)	
Sample size	144	144	144	
Percentage of unallowable initial truancy notifications	-28.47%	-0.69%	-11.81%	
Population sampled	3,297	3,317	3,283	
Extrapolated number of unallowable initial truancy notifications	(939)	(23)	(388)	
Uniform cost allowance	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment - Middle/High schools	<u>\$ (16,658)</u>	<u>\$ (411)</u>	<u>\$ (7,096)</u>	\$ (24,165)
Total audit adjustment	<u>\$ (21,625)</u>	<u>\$ (4,021)</u>	<u>\$ (8,230)</u>	<u>\$ (33,876)</u>

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, is truant.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is truant.

The parameters and guidelines (section 1 – Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2002, through June 30, 2008



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 30, 2011

Mónica Garcia, President
Board of Education
Los Angeles Unified School District
333 S. Beaudry Avenue
Los Angeles, CA 90017

Dear Ms. Garcia:

The State Controller's Office audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

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/wm

cc: Ramon C. Cortines, Superintendent
Los Angeles Unified School District
Timothy S. Rosnick, Controller
Los Angeles Unified School District
Debra Duardo, Director of Pupil Services
Los Angeles Unified School District
Maruch Atienza, Director of Accounting
Los Angeles Unified School District
Cynthia Lim, Executive Director
Office of Data and Accountability
Los Angeles Unified School District
Jon R. Gundry, Interim County Superintendent of Schools
Los Angeles County Office of Education
Scott Hannan, Director
School Fiscal Services Division
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Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
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State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	6
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. 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 Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

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.

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 \$2,677,458 for costs of the Notification of Truancy Program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$538,111. Our audit disclosed that the claimed costs are unallowable. The State will offset \$538,111 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$854,829. Our audit disclosed that \$6,967 is allowable. The State will offset \$847,862 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$95,433. Our audit disclosed that \$45,153 is allowable. The State will offset \$50,280 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$142,051 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$37,353. Our audit disclosed that \$309,224 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$271,871, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$15. Our audit disclosed that \$393,639 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$393,624, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on February 18, 2011. Timothy S. Rosnick, Controller, responded by letter dated March 25, 2011 (Attachment). The district did not directly respond to the factual accuracy of the audit findings. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the 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

March 30, 2011

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	40,766	—	(40,766)	Finding 1
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total program costs ²	<u>\$ 538,111</u>	—	<u>\$ (538,111)</u>	
Less amount paid by the state		(538,111)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (538,111)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	62,579	510	(62,069)	Finding 1
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs ²	<u>\$ 854,829</u>	6,967	<u>\$ (847,862)</u>	
Less amount paid by the state		(854,829)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (847,862)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	6,683	3,162	(3,521)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs ²	<u>\$ 95,433</u>	45,153	<u>\$ (50,280)</u>	
Less amount paid by the state		(95,433)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (50,280)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	13,458	9,141	(4,317)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs ²	<u>\$ 209,137</u>	142,051	<u>\$ (67,086)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 142,051</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	25,783	19,147	(6,636)	Findings 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 416,395</u>	309,224	<u>\$ (107,171)</u>	
Less amount paid by the state		(37,353)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,871</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	32,613	22,780	(9,833)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 563,553</u>	393,639	<u>\$ (169,914)</u>	
Less amount paid by the state		(15)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 393,624</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 2,677,458</u>	\$ 897,034	<u>\$ (1,780,424)</u>	
Less amount paid by the state		(1,525,741)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (628,707)</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Unsupported and non-mandate-related initial truancy notifications claimed

The district claimed unallowable costs totaling \$1,569,673. The costs are unallowable because the district claimed unsupported and non-mandate-related initial truancy notifications.

For operating purposes, the district segregates itself into eight local districts. Each local district has specific schools that report to it. During the audit period, the individual schools were responsible for distributing initial truancy notifications. The schools provided copies of the notifications to the local districts. The local districts summarized the notifications on monthly truancy logs and submitted those logs to the district. For fiscal year (FY) 2002-03 through FY 2005-06, the district stated that it filed its mandated cost claims based on the monthly truancy logs that the local districts provided. For FY 2006-07 and FY 2007-08, local districts submitted copies of the notifications to the district. The district created separate spreadsheets to summarize the notifications that local districts submitted. The district stated that it filed its FY 2006-07 and FY 2007-08 mandated cost claims based on the initial truancy notification copies it received.

During our audit, the district provided truancy data from its Integrated Student Information System for the audit period. However, district personnel stated that they could not provide assurance that the district actually issued initial truancy notifications for all students identified on the Integrated Student Information System. The number of students identified in the Integrated Student Information System did not agree with the number of initial truancy notifications claimed for any fiscal year within the audit period. In addition, the district provided the FY 2006-07 and FY 2007-08 summary spreadsheets that it created based on the copies of notifications that local districts submitted. However, for a significant number of students, the FY 2006-07 and FY 2007-08 spreadsheets did not contain sufficient information to identify the student for whom the district issued an initial truancy notification.

As a result, the district provided hardcopy documents that it represented as initial truancy notifications distributed. We organized the documents provided by fiscal year and grade level. For every fiscal year, the number of documents provided differed from the number of initial truancy notifications claimed. In addition, both the number of documents provided and the number of initial truancy notifications claimed differed from the number of initial truancy notifications that the district reported to the California Department of Education (CDE) for FY 2004-05 through FY 2007-08 (CDE information is not available for FY 2002-03 and FY 2003-04).

We previously reported the issue of unsupported initial truancy notifications for FY 1998-99 through FY 2000-01 in our audits published December 13, 2002. The district filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) in response to those audits. The CSM has not yet adjudicated the district's IRC.

From those documents that the district provided, we identified unallowable costs for the following reasons:

- The district provided multiple initial truancy notifications that it distributed for the same students during a school year. Only the first notification is eligible for mandated program reimbursement.
- The district provided miscellaneous letters that were unrelated to initial truancy notifications.
- The district provided initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district provided initial truancy notifications that did not contain sufficient information to identify the applicable students so that we could validate the notifications to the district's attendance records. Missing information included the letter date and the student's school and grade.
- The district provided "conference letters" that were unrelated to the initial truancy notifications. The district sent these letters to schedule in-person conferences between district representatives and the students' parents or legal guardians. These letters did not contain the information required for initial truancy notifications.
- The district provided habitual truancy letters that are unrelated to the initial truancy notification.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of letters provided	—	750	9,128	16,001	25,393	32,474	
Number of initial truancy notifications claimed	(40,766)	(62,579)	(6,683)	(13,458)	(25,783)	(32,613)	
Understated/(overstated) number of initial truancy notifications	(40,766)	(61,829)	2,445	2,543	(390)	(139)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ (538,111)	\$ (844,584)	\$ 34,915	\$ 39,518	\$ (6,299)	\$ (2,402)	\$(1,316,963)
Multiple initial truancy notifications issued for the same student	—	(167)	(1,013)	(1,932)	(2,432)	(1,323)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (2,281)	\$ (14,466)	\$ (30,023)	\$ (39,276)	\$ (22,862)	(108,908)
Miscellaneous letters unrelated to the initial truancy notification	—	(5)	(2,956)	(109)	(122)	(4)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (68)	\$ (42,212)	\$ (1,694)	\$ (1,970)	\$ (69)	(46,013)
Initial truancy notifications distributed for charter school students	—	—	—	(969)	(590)	(811)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ —	\$ —	\$ (15,058)	\$ (9,529)	\$ (14,015)	(38,602)

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Initial truancy notifications with insufficient information to identify student	—	—	(412)	(1,065)	(415)	(444)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ —	\$ (5,883)	\$ (16,550)	\$ (6,702)	\$ (7,672)	(36,807)
Conference letters	—	(18)	(521)	(155)	(177)	(87)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (246)	\$ (7,440)	\$ (2,409)	\$ (2,859)	\$ (1,503)	(14,457)
Habitual truancy letters	—	(50)	(342)	(105)	(32)	(12)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs ¹	\$ —	\$ (683)	\$ (4,884)	\$ (1,632)	\$ (517)	\$ (207)	(7,923)
Audit adjustment	\$ (538,111)	\$ (847,862)	\$ (39,970)	\$ (27,848)	\$ (67,152)	\$ (48,730)	\$(1,569,673)

¹ Calculation differences due to rounding.

The parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government Code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those letters that it distributes for charter school students and multiple letters that it distributes for the same student during the school year.

District’s Response

The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement that what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District’s position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.

The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. . . . We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

SCO's Comment

Our finding and recommendation are unchanged. The district states that its "position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent." The district's response contradicts the claiming process that district personnel previously confirmed for FY 2002-03 through FY 2005-06. District personnel stated that during those fiscal years, the district filed its mandated cost claims based on monthly truancy logs prepared by the district's eight local districts.

The district acknowledges that the number of notifications claimed was less than the number of truant students that it reported to the CDE. The district states that fact is not an indication that the notifications were not sent out. However, the district did not provide any documentation to confirm that the notifications *were* sent out.

The district objects to the statutory period for audit as it applies to FY 2002-03 and FY 2003-04. Government Code section 17558.5, subdivision (a), states:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim [emphasis added].

For FY 2002-03 and FY 2003-04, the district did not receive a payment until September 12, 2006. We initiated the audit by first contacting the district on June 29, 2009. For FY 2002-03 and FY 2003-04, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

Therefore, the audit was initiated within the statutory period for audit and the district was required to maintain and produce records in accordance with the parameters and guidelines.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$210,751. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2004-05 through FY 2007-08, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district used either daily attendance accounting or period attendance accounting, depending on the student’s grade level. Therefore, we stratified each fiscal year’s population into two groups.

The district’s attendance records show that the district claimed initial truancy notifications that are non-reimbursable for the following reasons:

- For FY 2004-05 and FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2004-05 and FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2006-07 and FY 2007-08, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year. In many cases, individual schools were unable to locate students’ attendance records or had discarded records in accordance with the school’s record retention policies.

The following table summarizes the non-reimbursable initial truancy notifications that our statistical samples identified:

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	(2)	(5)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(10)	(6)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(10)	(3)
Fewer than three total	<u>(49)</u>	<u>(31)</u>	<u>(36)</u>	<u>(34)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(61)</u>	<u>(42)</u>	<u>(46)</u>	<u>(37)</u>
Period attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	—	(3)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(4)	(5)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(4)	(4)
Fewer than three total	<u>(3)</u>	<u>(19)</u>	<u>(5)</u>	<u>(30)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>	<u>(27)</u>	<u>(9)</u>	<u>(34)</u>

The following table summarizes the audit adjustment based on the non-reimbursable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(61)	(42)	(46)	(37)	
Statistical sample size	÷ 135	÷ 144	÷ 145	÷ 148	
Unallowable percentage	(45.19)%	(29.17)%	(31.72)%	(25.00)%	
Population sampled	× 1,316	× 3,542	× 4,561	× 9,831	
Extrapolated number of unallowable initial truancy notifications	(595)	(1,033)	(1,447)	(2,458)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, daily attendance accounting ¹	\$ (8,497)	\$ (16,053)	\$ (23,369)	\$ (42,474)	\$ (90,393)
Period attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(7)	(27)	(9)	(34)	
Statistical sample size	÷ 142	÷ 147	÷ 149	÷ 149	
Unallowable percentage	(4.93)%	(18.37)%	(6.04)%	(22.82)%	
Population sampled	× 2,568	× 8,124	× 17,064	× 19,962	
Extrapolated number of unallowable initial truancy notifications	(127)	(1,492)	(1,031)	(4,555)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, period attendance accounting ¹	\$ (1,813)	\$ (23,185)	\$ (16,650)	\$ (78,710)	(120,358)
Audit adjustment	\$ (10,310)	\$ (39,238)	\$ (40,019)	\$ (121,184)	\$ (210,751)

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994, states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2004-05 and FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The CSM did not amend the parameters and guidelines until July 1, 2006; therefore, an initial truancy notification is reimbursable for FY 2004-05 and FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Therefore, an initial truancy notification is reimbursable for FY 2006-07 and FY 2007-08 when a student has accumulated three or more unexcused absences of tardiness occurrences while between ages 6 and 18.

For FY 2002-03 through FY 2005-06, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .

For FY 2006-07 forward, the parameters and guidelines state:

All documents used to support the reimbursable activities. . . must be retained during the period subject to audit.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines. We also recommend that the district retain all documentation that supports the reimbursable activities during the period that the district's claims are subject to audit.

District's Response

The district's response does not address the factual accuracy of the non-reimbursable initial truancy notifications identified.

SCO's Comment

Our finding and recommendation remain unchanged.

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Accounting and Disbursements Division

RAMON C. CORTINES
Superintendent of Schools

MICHELLE KING
Deputy Superintendent, School Operations



MEGAN K. REILLY
Chief Financial Officer

TIMOTHY S. ROSNICK
Controller

March 25, 2011

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

Dear Mr. Spano:

We received a copy of your draft audit report on the Notification of Truancy (NOT) Program for the period covering July 1, 2002 to June 30, 2008. Below are the District's responses:

- The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement than what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District's position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.
- The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. This resulted in the disallowance of \$1.4 million, which is 80% of the total amount disallowed in the audit. We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

We would also like to inform your office that starting in fiscal year 2010-11, the District has centralized and automated the process of generating and sending out the NOT letters. This new process will address all the findings identified in this audit.

Per your request, attached is the management representation letter. We would like to thank you and your staff for working with District staff during the audit process.

J. Spano
March 25, 2011
Page 2

If you have any questions, please call me at (213) 241-7989 or Maruch Atienza at (213) 241-7982.

Sincerely,



Timothy S. Rosnick
Controller

c: Ramon C. Cortines
Cynthia Lim

Megan K. Reilly
Luis Buendia

Debra Duardo
Maruch Atienza

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

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

MORENO VALLEY UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

December 2004



STEVE WESTLY
California State Controller

December 22, 2004

Nicolas D. Ferguson, Ed.D., Superintendent
Moreno Valley Unified School District
13911 Perris Boulevard
Moreno Valley, CA 92553

Dear Mr. Ferguson:

The State Controller's Office audited the claims filed by the Moreno Valley Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$667,854 for the mandated program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable. The unallowable costs occurred because the district overclaimed the number of reimbursable truancy notifications. The district was paid \$433,846. The amount paid in excess of allowable costs claimed, totaling \$369,038, should be returned 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), and 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:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: (See page 2)

David Long, Ph.D.
Riverside County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Educational Consultant
School Fiscal 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	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Moreno Valley Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was August 26, 2003.

The district claimed \$667,854 for the mandated program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable. The unallowable costs occurred because the district overclaimed the number of reimbursable truancy notifications. The district was paid \$433,846. The amount paid in excess of allowable costs claimed, totaling \$369,038, should be returned to the State.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school district's, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandated and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

We limited our review of the district's management controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The 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 Moreno Valley Unified School District claimed \$667,854 for costs of the Notification of Truancy Program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$240,701 by the State. Our audit disclosed that none is allowable. The amount paid in excess of allowable costs claimed, totaling \$240,701, should be returned to the State.

For FY 2000-01, the district was paid \$40,027 by the State. Our audit disclosed that none is allowable. The amount paid in excess of allowable costs claimed, totaling \$40,027, should be returned to the State.

For FY 2001-02, the district was paid \$153,118 by the State. Our audit disclosed that \$64,808 is allowable. The amount paid in excess of allowable costs claimed, totaling \$88,310, should be returned to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 28, 2004. We contacted Estuardo Santillan, Business Manager, by e-mail on November 24, 2004. The district did not respond to the draft report or the e-mail.

Restricted Use

This report is solely for the information and use of the Moreno Valley Unified School District 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, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	19,763	—	(19,763)	Finding 2
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	
Total costs	<u>\$ 241,701</u>	\$ —	<u>\$ (241,701)</u>	
Less amount paid by the State		<u>(240,701)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (240,701)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	16,455	—	(16,455)	Finding 2
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Total costs	<u>\$ 209,472</u>	\$ —	<u>\$ (209,472)</u>	
Less amount paid by the State		<u>(40,027)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (40,027)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,784	5,020	(11,764)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total costs	<u>\$ 216,681</u>	\$ 64,808	<u>\$ (151,873)</u>	
Less amount paid by the State		<u>(153,118)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (88,310)</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total costs	<u>\$ 667,854</u>	\$ 64,808	<u>\$ (603,046)</u>	
Less amount paid by the State		<u>(433,846)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (369,038)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overclaimed
number of initial
truancies**

The district claimed 745 initial truancies, totaling \$9,618, that were not supported by its attendance records for FY 2001-02 claimed costs. The district did not maintain the student absence reports originally used to prepare the claim and re-created reports did not support the same number of initial truancy notifications that were distributed.

	<u>Fiscal Year 2001-02</u>
Truancies supported by absence reports	16,039
Less truancies claimed	<u>(16,784)</u>
Truancies unallowable	(745)
Unit cost	<u>× \$12.91</u>
Audit adjustment	<u>\$ (9,618)</u>

Recommendation

We recommend the district establish policies and procedures to ensure that all claimed costs are fully supported and that supporting documentation used to prepare the claim is maintained for the periods subject to audit.

**FINDING 2—
Unallowable costs
relating to initial
truancies**

The district claimed \$658,236 during the audit period for initial truancy notification forms distributed to a pupil’s parent or guardian that were not reimbursable. Either non-reimbursable notification forms were used or the pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandated program. The audit adjustment is summarized as follows:

	<u>Fiscal Year</u>			
	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Allowable per audit	\$ —	\$ —	\$ 64,808	\$ 64,808
Less actual costs claimed	<u>(241,701)</u>	<u>(209,472)</u>	<u>(207,063)</u>	<u>(658,236)</u>
Audit adjustment	<u>\$ (241,701)</u>	<u>\$ (209,472)</u>	<u>\$ (142,255)</u>	<u>\$ (593,428)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. We reviewed attendance records for a random sample of 147 pupils claimed as truant in each of the first two fiscal years. In the third fiscal year, we stratified the total population into two groups: (1) elementary and special education students; and (2) middle and high school students. For each of these two groups, the auditor selected a sample of 147 pupils.

The number of unallowable truancy notifications identified in the sample, percentage unallowable, and projected audit adjustment are summarized below:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Number of unallowable truancy notifications	147	147	202	
Truant pupils sampled	÷ 147	÷ 147	÷ 294	
Unallowable percentage Truancy notifications claimed	(100.00)%	(100.00)%	(68.71)%	
Projected unallowable truancy notifications	× 19,763	× 16,455	× 16,039	
Uniform cost allowance	(19,763)	(16,455)	(11,019)	
Audit adjustment	× \$12.23	× \$12.73	× \$12.91	
	<u>\$ (241,701)</u>	<u>\$ (209,472)</u>	<u>\$ (142,255)</u>	<u>\$ (593,428)</u>

For FY 1999-2000 and FY 2000-01, we sampled 147 of the notifications claimed each year. The sampled notifications used a truancy notification letter that did not contain the following four of the five required elements outlined in the *Parameters and Guidelines*: (1) that the parent or guardian is obligated to compel the attendance of the pupil at school; (2) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution under Article 6; (3) the alternative educational programs available in the district; and (4) the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy. Consequently, all 147 notifications sampled are not reimbursable.

For FY 2001-02, we sampled 294 of the notifications claimed. The district did not provide any documentation supporting that 193 of the 294 notifications were distributed. Nine of the notifications that were distributed were issued to pupils that did not have four or more truantries. Consequently, 202 of the notifications sampled are not reimbursable.

Parameters and Guidelines, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping. *Parameters and Guidelines* states that truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Parameters and Guidelines* also states that the uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is to be adjusted each subsequent year by the Implicit Price Deflator.

Recommendation

We recommend the district only claim reimbursement under the Notification of Truancy Program for truancy notifications applicable to pupils who are absent from school without valid excuse for more than three days or tardy in excess of 30 minutes on each of more than three occasions in one school year. Although *Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, *Parameters and Guidelines* requires at least four unexcused absences to be classified as a reimbursable truant.

In addition, we recommend the district maintain supporting documentation that a notification of truancy letter containing the five required elements in the *Parameters and Guidelines* was distributed to students' parents or guardians. While *Education Code* Section 48260.5 requires eight elements to be contained in the notification of truancy letter, *Parameters and Guidelines* only requires five elements. Supporting documentation can be in the form of either samples of each initial truancy notification letter distributed to parents/guardians or a master copy of the initial truancy notification letter sent to the parents/guardians of all truant students that is supported by attendance records which verify: (1) that the student had at least four unexcused absences during the school year; and (2) the date that an initial notification of truancy letter was sent to the parents/guardians.

FINDING 3— Improper attendance accounting procedures of student trancies for FY 2001-02

The district did not use proper attendance accounting procedures for student trancies in middle and high schools for the period of July 1, 2001, through June 30, 2002. The SCO review of attendance records indicated that the district classified the middle and high school students as truants only if the student had three or more "all day" absences. For these students, an "all day" absence is defined by the district as either being absent for an entire school day or for a majority of the periods within a school day. The district's attendance accounting procedures of student trancies did not meet the criteria specified in Section I of the *Parameters and Guidelines* or the existing language contained in *Education Code* Section 48260(a).

We randomly sampled 147 of 8,303 middle and high school truancy notifications claimed. A total of 134 of the notifications in the sample were documented using improper attendance accounting procedures of student trancies. Because initial notification letters were distributed later than would have been the case had proper attendance accounting procedures been followed, no dollar amount will be assigned to this noncompliance based solely on the timing of letter distributions.

Section I of the *Parameters and Guidelines* states, “A truancy occurs when a student is absent from school without valid excuse more than three (3) days **or** is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year” (emphasis added). Current language contained within *Education Code* Section 48260(a) more explicitly defines truancy as “Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, **or any combination thereof. . . .**” (emphasis added).

Recommendation

We recommend the district develop adequate truancy accounting policies and procedures that are consistent with *Education Code* Section 48260(a) and Section I of the *Parameters and Guidelines* to ensure that all claimed costs are eligible and properly supported.

**FINDING 4—
Noncompliance with
the district’s School
Attendance Review
Board (SARB)
Handbook guidelines
for FY 2001-02**

Two of the six school sites that we visited sent out noncompliant Notification of Truancy letters to students’ parents during FY 2001-02. Specifically, Badger Springs Middle School sent out noncompliant Spanish Notification of Truancy letters and Butterfield Elementary School sent out noncompliant English Notification of Truancy letters. As the student letters tested were not part of the statistical sample population selected for sample testing, no dollar adjustment will be taken for the two schools’ noncompliant notification letters.

The school district’s FY 2001-02 School Attendance Review Board (SARB) Handbook (page 5) requires all schools in the district to follow “Notification Procedures” and send a standardized initial notification of truancy letter, “District Letter Number 1,” to student parents/guardians once the student is classified as truant.

Recommendation

We recommend the district develop adequate control and monitoring procedures to ensure that existing district truancy policies and procedures are implemented and followed by all schools within the district.

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

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

MORENO VALLEY UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2005, through June 30, 2008



JOHN CHIANG
California State Controller

August 2012



JOHN CHIANG
California State Controller

August 21, 2012

Tracey B. Vackar, President
Board of Education
Moreno Valley Unified School District
25634 Alessandro Boulevard
Moreno Valley, CA 92553

Dear Ms. Vackar:

The State Controller's Office audited the costs claimed by Moreno Valley Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

This revised final report supersedes our previous report dated February 9, 2011. Our original report identified FY 2005-06 unallowable costs totaling \$108,236, because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$86,589 for the audit period.

The district claimed \$590,230 for the mandated program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The costs are unallowable because the district claimed noncompliant, overstated, and non-reimbursable initial truancy notifications. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

If you disagree with the revised 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/vb

cc: Judy D. White, Ed.D., Superintendent
Moreno Valley Unified School District
Mays Kakish
Assistant Superintendent of Business Services
Moreno Valley Unified School District
Ken Schmidt, Director
Student Services/Child Welfare and Attendance
Moreno Valley Unified School District
Lynne Craig, President
Board of Education
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations	5

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$590,230 for the mandated program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The costs are unallowable because the district claimed noncompliant, overstated, and non-reimbursable initial truancy notifications. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2005, through June 30, 2008.

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.

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, Moreno Valley Unified School District claimed \$590,230 for costs of the Notification of Truancy Program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on January 5, 2011. Estuardo Santillan, Interim Assistant Superintendent, Business Services, and Patty Rucker, Coordinator, Student Services, did not comment on the audit results. In an e-mail dated January 18, 2011, Ken Schmidt, Director, Student Services/Child Welfare and Attendance, confirmed that the district had no comment on the findings, declined a draft audit report, and agreed that we could issue the audit report as final.

We issued a final audit report on February 9, 2011. Subsequently, we revised Finding 1 to allow partial reimbursement for noncompliant initial truancy notifications claimed in FY 2005-06. As a result, we revised Finding 1 to reduce the audit adjustment from \$108,236 to \$21,647. We advised Mr. Schmidt of the revisions. Mr. Schmidt stated that he appreciated the notification, but did not comment specifically on the revised audit finding.

Restricted Use

This report is solely for the information and use of the Moreno Valley Unified School District, the Riverside 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

August 21, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	6,965	6,965	—	
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Subtotal ²	\$ 108,236	\$ 108,236	\$ —	
Noncompliant initial truancy notifications	—	(21,647)	(21,647)	Finding 1
Total program costs	<u>\$ 108,236</u>	86,589	<u>\$ (21,647)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,589</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	14,234	12,591	(1,643)	Findings 2, 3
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 229,879</u>	203,344	<u>\$ (26,535)</u>	
Less amount paid by the State		(19,331)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 184,013</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	14,590	13,001	(1,589)	Finding 3
Unit cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 252,115</u>	224,657	<u>\$ (27,458)</u>	
Less amount paid by the State		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 224,648</u>		
<u>Summary: July 1, 2005, through June 30, 2008</u>				
Total program costs	<u>\$ 590,230</u>	\$ 514,590	<u>\$ (75,640)</u>	
Less amount paid by the State		(19,340)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 495,250</u>		

¹ See the revised Findings and Recommendations section.

² Calculation differences due to rounding.

Revised Findings and Recommendations

**FINDING 1—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$21,647. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the program’s parameters and guidelines.

For FY 2005-06, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following five items:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Education Code sections 48290 through 48296.
4. That alternative educational programs are available in the district.
5. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.

The district distributed initial truancy notifications that did not include the third item identified above. As a result, 20% (1/5) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2005-06
Number of notifications claimed	6,965
Uniform cost allowance	× \$15.54
Subtotal	\$ 108,236
Unallowable percentage	× (20)%
Audit adjustment	<u>\$ (21,647)</u>

Recommendation

No recommendation is applicable. The district revised its initial truancy notification form after FY 2005-06. The revised initial truancy notification complies with the parameters and guidelines.

**FINDING 2—
Overstated number of
initial truancy
notifications claimed**

For FY 2006-07, the district overstated the number of allowable initial truancy notifications issued. As a result, the district claimed unallowable costs totaling \$355.

The district provided documentation identifying 14,241 notifications issued. However, the documentation shows that the district issued two notifications for 29 students. Only the initial truancy notification is reimbursable under the mandated program. Therefore, only 14,212 notifications are allowable.

The following table summarizes the audit adjustment:

	Fiscal Year <u>2006-07</u>
Initial truancy notifications documented	14,241
Less duplicate notifications issued	<u>(29)</u>
Allowable initial truancy notifications	14,212
Less initial truancy notifications claimed	<u>(14,234)</u>
Overstated initial truancy notifications	(22)
Uniform cost allowance	× \$16.15
Audit adjustment	<u>\$ (355)</u>

The parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count multiple letters that it distributes for the same student.

**FINDING 3—
Non-reimbursable
initial truancy
notifications**

The district claimed unallowable costs totaling \$53,638 for FY 2006-07 and FY 2007-08. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2006-07 and FY 2007-08, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the allowable population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district uses either daily attendance accounting or period attendance accounting, depending on the student’s grade level. Therefore, we stratified each fiscal year’s population into two groups and selected separate samples for each group.

The district claimed initial truancy notifications that are unallowable for the following reasons:

- The student accumulated three or more total unexcused absences or tardiness occurrences during the school year, but fewer than three of these occurred while the student was between ages 6 and 18.
- The student accumulated fewer than three total unexcused absences or tardiness occurrences.

The following table summarizes the unallowable initial truancy notifications identified in our statistical samples:

	Fiscal Year	
	2006-07	2007-08
Number of unexcused absences and tardiness occurrences accumulated during the school year		
Daily attendance accounting:		
Fewer than three while between ages 6 and 18	27	7
Fewer than three total	9	23
Unallowable initial truancy notifications, daily attendance accounting	36	30
Period attendance accounting:		
Fewer than three while between ages 6 and 18	3	—
Fewer than three total	—	6
Unallowable initial truancy notifications, period attendance accounting	3	6

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment:

	Fiscal Year		Total
	2005-06	2007-08	
Daily attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(36)	(30)	
Statistical sample size	÷ 146	÷ 146	
Unallowable percentage	(24.66)%	(20.55)%	
Population sampled	× 5,883	× 6,035	
Extrapolated number of unallowable initial truancy notifications	(1,451)	(1,240)	
Uniform cost allowance	× \$16.15	× \$17.28	
Unallowable costs, daily attendance accounting	\$ (23,434)	\$ (21,427)	\$ (44,861)
Period attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(3)	(6)	
Statistical sample size	÷ 147	÷ 147	
Unallowable percentage	(2.04)%	(4.08)%	
Population sampled	× 8,329	× 8,555	
Extrapolated number of unallowable initial truancy notifications	(170)	(349)	
Uniform cost allowance	× \$16.15	× \$17.28	
Unallowable costs, period attendance accounting	\$ (2,746)	\$ (6,031)	(8,777)
Audit adjustment	\$ (26,180)	\$ (27,458)	\$ (53,638)

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student’s 6th birthday or after the student’s 18th birthday are not relevant when determining whether a student is a truant.

In addition, the parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

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

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

OAKLAND UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1998, through June 30, 2000



STEVE WESTLY
California State Controller

August 2003



STEVE WESTLY
California State Controller

August 6, 2003

Dennis Chaconas, Superintendent
Oakland Unified School District
1025 Second Avenue
Oakland, CA 94606

Dear Mr. Chaconas:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The district claimed and was paid \$312,804 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

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

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy State Controller, Finance

WB:kmm/jj

cc: (see page 2)

cc: Phillip D. White
Deputy Superintendent
Oakland Unified School District
Gloria Gamblin
Chief Financial Officer
Oakland Unified School District
Sheila Jordan
County Superintendent of Schools
Alameda County Office of Education
Janet Sterling, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Manager
School Fiscal Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance
Charles Pillsbury
School Apportionment Specialist
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Finding and Recommendation	4
Schedule 1—Summary of Program Costs	8
Attachment—Auditee’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000. The last day of fieldwork was March 14, 2003.

The district claimed and was paid \$312,804 for the mandated program. The audit disclosed that none of the claimed costs are allowable because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) the parent's or guardian's obligation to compel the attendance of the pupil at school; and (3) a warning that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution.

In addition, the legislation requires the district to inform parents and guardians of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist school districts and local agencies in claiming reimbursable costs.

**Objective,
Scope, and
Methodology**

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the Finding and Recommendation section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the Oakland Unified School District claimed and was paid \$312,804 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the costs is allowable.

**Views of
Responsible
Official**

The SCO issued a draft report on May 30, 2003. Sheri Gamba, Fiscal Services Officer, responded by letter dated June 20, 2003, disagreeing with the audit results. The district's response is included as an attachment to this final audit report.

Restricted Use

This report is solely for the information and use of the Oakland Unified School District, the Alameda 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

Finding and Recommendation

**FINDING—
Overclaimed number
of initial truancy
notification forms
distributed**

The district was not able to support any of the claimed costs for initial truancy notification forms distributed to a pupil's parent or guardian, totaling \$312,804 for the period of July 1, 1998, through June 30, 2000 (\$221,996 for fiscal year (FY) 1998-99 and \$90,808 for FY 1999-2000).

In its claims, the district identified, by school site, the total number of initial truancy notification forms distributed. However, the district was unable to provide any documentation supporting how the claimed number of initial truancy notifications was determined. Further, the district was unable to reconcile the claimed truantries to the students who were identified as truant on its Attendance Accounting System. The variances are as follows:

	<u>Number of Notifications</u>		
	<u>Fiscal Year</u>		
	<u>1998-99</u>	<u>1999-2000</u>	<u>Total</u>
Truantries per district's accounting system <i>(four or more unexcused absences)</i>	18,087	20,994	39,081
Truantries claimed	<u>15,572</u>	<u>18,244</u>	<u>33,816</u>
Variance	<u>2,515</u>	<u>2,750</u>	<u>5,265</u>

The auditors attempted to randomly sample 51 of the 77 school sites, totaling 66%, in FY 1998-99 and 52 of the 80 school sites in FY 1999-2000, totaling 65%, that claimed initial truancy notifications that were distributed to a pupil's parent or guardian. However, the district was not able to provide documentation supporting any of the claimed initial truancy notifications. Therefore, the entire claimed number of initial truancy notification is unsupported and thus unallowable.

The district agreed that it was unable to substantiate the claimed number of initial truancy notification forms distributed. The district representatives noted that they are in the process of implementing a new procedure to notify a pupil's parent or guardian of initial truancy. The new process includes an automated process whereby the district's attendance accounting system, upon a pupil's initial classification as a truant, will automatically generate a letter (Z-Copy). In lieu of hard copies, the list of pupil's names will be maintained for audit purposes. In addition, a separate postage meter will be maintained as evidence of postage for the notifications.

Parameters and Guidelines, adopted by the State Board of Control (now the Commission on State Mandates) on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification form distributed to the pupil's parent or guardian contains five specific elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require eight specific elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specific elements in the guidelines.

Parameters and Guidelines, Section I., requires "... school districts,

upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian, by first-class mail or other reasonable means, of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of part 27." Furthermore, the guidelines state that the "...district must inform parents and guardians of (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy."

Parameters and Guidelines, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . ."

Parameters and Guidelines, Section V.B.1., states that the claimant shall be reimbursed for "Planning the method of implementation, revising school district policies, and designing and printing the forms."

Parameters and Guidelines, Section V.B.2., states that the claimant shall be reimbursed for "Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . ."

Parameters and Guidelines, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

Parameters and Guidelines, Section VII., states, "For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . ."

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although *Parameters and Guidelines* allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with *Education Code* Section 48260.5, which requires the form to contain eight specified elements.

The district's planned notification procedure relating to the use of a Z-Copy letter appears to sufficient to meet the documentation requirements. However, the district must be able to support that the letter contains all required elements and is distributed upon the pupil's initial truancy in a timely manner.

Auditee's Response

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail *or other means*. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

The auditors are incorrect in saying the district was unable to provide documentation supporting any of the claimed initial truancy notifications. There were letters to review in the one truancy center.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

SCO's Comments

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as overnight mail, certified mail, etc. *Parameters and Guidelines*, Sections V.A., V.B.1., and V.B.2, allows a district to be reimbursed a specific amount for every initial truancy notification form

(letter) distributed to a pupil's parent or guardian that contains five specified elements identified in *Parameters and Guidelines*.

Telephone calls and home visits are not reimbursable. Nevertheless, the SCO auditors reviewed the records made available to them to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

There were three truancy centers during the audit period. However, these centers had been closed and the attendance information and student documents for all three centers were consolidated at the district's Student Attendance Review Board (SARB) location. We reviewed documents retained at the SARB location. The documents did not support that notifications were issued for a pupil's initial truancy. In addition, the district's coordinator and its consultant advised us that the district does not have documentation to substantiate any of the claimed number of initial truancy notifications distributed to the pupil's parent or guardian.


As previously discussed, documents made available by the district did not support that initial truancy letters were distributed to a pupil's parent or guardian. In addition, the number of truantries claimed during the audit period was not substantiated by the district's records. The district was unable to reconcile the claimed truantries to the individual pupils who were identified as truant on its Attendance Accounting System. The conclusion reached in the finding is based on a review of all information made available by the district.

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 2000**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments ¹</u>
<u>July 1, 1998, through June 30, 1999</u>			
Number of notifications	18,974	—	(18,974)
Uniform cost allowance	\$ 11.70	\$ 11.70	\$ 11.70
Total costs	<u>\$ 221,996</u>	—	<u>\$(221,996)</u>
Less amount paid by the State		<u>(221,996)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (221,996)</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Number of notifications	7,425	—	(7,425)
Uniform cost allowance	\$ 12.23	\$ 12.23	\$ 12.23
Total costs	<u>\$ 90,808</u>	—	<u>\$ (90,808)</u>
Less amount paid by the State		<u>(90,808)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (90,808)</u>	
<u>Summary: July 1, 1998, through June 30, 2000</u>			
Total costs	<u>\$ 312,804</u>	\$ —	<u>\$(312,804)</u>
Less amount paid by the State		<u>(312,804)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (312,804)</u>	

¹ See the Finding and Recommendation section.

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



OAKLAND UNIFIED SCHOOL DISTRICT
1025 SECOND AVENUE, OAKLAND, CALIFORNIA 94606

June 20, 2003

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

Re: Response to Draft Audit Report (Notification of Truancy Program FY 1998-2000)

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Oakland Unified School District (District) relating to the mandated Notification of Truancy Program (NOT) for the period of July 1, 1998 through June 30, 2000.

The district claimed \$312,804 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on one audit finding.

Finding 1 – Unsupported initial truancy notification forms for a total cost of \$312,804.

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail *or other means*. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

The auditors are incorrect in saying the district was unable to provide documentation supporting any of the claimed initial truancy notifications. There were letters to review in the one truancy center.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,



Sheri Gamba
Fiscal Services Officer

Cc Anthony Bridges, FCMAT
Gloria Gamblin, OUSD
Chris Prasad, SCO
John Conshafter, MCS education services

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

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

S03-MCC-021

OAKLAND UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 798, Statutes of 1983
and Chapter 1023, Statutes of 1994

July 1, 2002, through June 30, 2008



JOHN CHIANG
California State Controller

October 2010



JOHN CHIANG
California State Controller

October 25, 2010

Gary Yee, President
Board of Education
Oakland Unified School District
1025 2nd Avenue
Oakland, CA 94606-2212

Dear Mr. Yee:

The State Controller's Office audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 798, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2008.

The final report issued September 24, 2010, was not appropriately addressed to the Governing Board. This final report corrects the addressee of the final report.

The district claimed \$1,492,260 for the mandated program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$535,236. Allowable costs claimed exceed the amount paid by \$400,376.

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: Anthony Smith, Ph.D., Superintendent
Oakland Unified School District
Vernon E. Hal, Chief Financial Officer
Oakland Unified School District
Jack O'Connell, Superintendent of Public Instructions
California Department of Education
Sheila Jordan, County Superintendent of Schools
Alameda County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations	6

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 798, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$1,492,260 for the mandated program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$535,236. Allowable costs claimed exceed the amount paid by \$400,376.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notified parents or guardian(s) of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. 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 Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

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.

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 Oakland Unified School District claimed \$1,492,260 for costs of the Notification of Truancy Program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$45,250. Our audit disclosed that the entire amount is unallowable. The State will offset \$45,250 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$274,566. Our audit disclosed that \$175,135 is allowable and \$99,431 is unallowable. The State will offset \$99,431 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$153,810. Our audit disclosed that \$142,986 is allowable and \$10,824 is unallowable. The State will offset \$10,824 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$186,635 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$61,603. Our audit disclosed that \$232,447 is allowable and \$93,137 is unallowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$7. Our audit disclosed that \$198,409 is allowable and \$149,731 is unallowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,402, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on March 26, 2010. Adrian V. Kirk, Director, Family and Community Office, responded by letter dated August 27, 2010, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Oakland Unified School District, the Alameda 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

October 25, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	3,428	—	(3,428)	Finding 1
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total program costs	<u>\$ 45,250</u>	\$ —	<u>\$ (45,250)</u>	
Less amount paid by the State		(45,250)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (45,250)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	20,100	12,821	(7,279)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs	<u>\$ 274,566</u>	\$ 175,135	<u>\$ (99,431)</u>	
Less amount paid by the State		(274,566)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (99,431)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	10,771	10,013	(758)	Findings 1, 2
Unit cost per initial notifications	× \$14.28	× \$14.28	× \$14.28	
Total program costs	<u>\$ 153,810</u>	\$ 142,986	<u>\$ (10,824)</u>	
Less amount paid by the State		(153,810)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,824)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	22,195	12,010	(10,185)	Findings 1, 2
Unit cost per initial notifications	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 344,910</u>	\$ 186,635	<u>\$ (158,275)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 186,635</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	20,160	14,393	(5,767)	Findings 1, 2
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs	<u>\$ 325,584</u>	\$ 232,447	<u>\$ (93,137)</u>	
Less amount paid by the State		(61,603)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 170,844</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	20,147	11,482	(8,665)	Finding 2
Unit cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 348,140</u>	\$ 198,409	<u>\$ (149,731)</u>	
Less amount paid by the State		(7)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,402</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 1,492,260</u>	\$ 935,612	<u>\$ (556,648)</u>	
Less amount paid by the State		(535,236)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 400,376</u>		

¹ See the Findings and Recommendations section.

Revised Findings and Recommendations

FINDING 1— Misstated number of initial truancy notifications claimed

The district claimed costs totaling \$160,931 for initial truancy notification letters that were not supported by the district's attendance records for fiscal year (FY) 2002-03 through FY 2006-07. The district either overstated or understated the number during each fiscal year.

The following table summarizes the audit adjustment:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Total number of initial truancy notifications documented	—	24,676	20,840	22,194	20,154	
Less number of initial truancy notifications claimed	(3,428)	(20,100)	(10,771)	(22,195)	(20,160)	
Understated/(overstated) number of initial truancy notifications	(3,428)	4,576	10,069	(1)	(6)	11,210
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	
Audit adjustment	\$ (45,250)	\$ 62,508	\$ 143,785	\$ (16)	\$ (96)	\$ 160,931

The program's parameters and guidelines require the district to provide documentation that supports the total number of initial notifications of truancy distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform costs allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District's Response

The district agreed with the finding.

FINDING 2— Non-reimbursable initial truancy notifications claimed

The district overstated allowable initial truancy notifications by \$717,579 for FY 2003-04 through FY 2007-08. This amount is net of the adjustment identified in Finding 1 totaling \$160,931 in costs claimed that were not supported by the district's attendance records.

The district claimed initial truancy notifications it distributed for students who had not accumulated the required number of unexcused absences or instances of tardiness to be classified as truant under the mandated program. In addition, some of the students claimed by the district were either under age six or over age 18.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. However, Education Code section 48000 states, "A child shall be admitted to a

kindergarten at the beginning of a school year, or any later time in the same year if the child will have his or her fifth birthday on or before December 2 of that school year.” In addition, Education Code section 48010 states, “A child shall be admitted to the first grade of an elementary school during the first month of a school year if the child will have his or her sixth birthday on or before December 2 of that school year.” Therefore, kindergarten and 1st grade students are not subject to compulsory attendance requirements during some or all of their school year. In addition, 12th grade students are not subject to compulsory attendance requirements during some or all of their school year. If a truancy instance occurred before the child’s 6th birthday or after their 18th birthday, those instances are not reimbursable.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. Some of these students accumulated fewer than three unexcused absences or tardiness occurrences. In addition, there were some students that were either under age six or over age 18.

For FY 2003-04, the district claimed unallowable initial truancy notifications for 82 elementary students; of this total, 79 students had fewer than four unexcused absences or tardiness occurrences and three students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 65 secondary students; of this total, 57 students had fewer than four unexcused absences or tardiness occurrences and eight students were over age 18.

For FY 2004-05, the district claimed unallowable initial truancy notifications for 73 elementary students who received fewer than four unexcused absences or tardiness occurrences during the fiscal year. In addition, the district claimed unallowable initial truancy notifications for 79 secondary students; of this total, 74 had fewer than four unexcused absences or tardiness occurrences and five students were over age 18.

For FY 2005-06, the district claimed unallowable initial truancy notifications for 72 elementary students; of this total, 47 students had fewer than four unexcused absences or tardiness occurrences and 25 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 65 secondary students; of this total, 57 students had fewer than four unexcused absences or tardiness occurrences and eight students were over age 18.

For FY 2006-07, the district claimed unallowable initial truancy notifications for 58 elementary students; of this total, 40 students had fewer than four unexcused absences or tardiness occurrences and 18 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 32 secondary students; of this total, 27 students had fewer than four unexcused absences or tardiness occurrences and five students were over age 18.

For FY 2007-08, the district claimed unallowable initial truancy notifications for 66 elementary students; of this total, 46 students had fewer than four unexcused absences or tardiness occurrences and 20 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 62 secondary students; of this total, 49 students had fewer than four unexcused absences or tardiness occurrences and 13 students were over age 18.

The following table summarizes the number of unallowable initial truancy notifications claimed:

	Fiscal Year					Total
	2003-04	2004-05	2005-06	2006-07	2007-08	
Elementary schools:						
Number of unallowable initial truancy notifications	(82)	(73)	(72)	(58)	(66)	
Statistical sample size	÷ 148	÷ 147	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(55.41)%	(49.66)%	(48.98)%	(39.46)%	(44.90)%	
Number of initial truancy notifications documented	× 9,258	× 7,973	× 8,623	× 7,866	× 7,508	
Total number of unallowable initial truancy notifications	(5,130)	(3,959)	(4,224)	(3,104)	(3,371)	
Uniform cost allowance	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Total, elementary schools	\$ (70,076)	\$ (56,534)	\$ (65,641)	\$ (50,130)	\$ (58,251)	\$ (300,632)
Secondary schools:						
Number of unallowable initial truancy notifications	(65)	(79)	(65)	(32)	(62)	
Statistical sample size	÷ 149	÷ 148	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(43.62)%	(53.38)%	(43.92)%	(21.62)%	(41.89)%	
Number of initial truancy notifications documented	× 15,418	× 12,867	× 13,571	× 12,288	× 12,639	
Total number of unallowable initial truancy notifications	(6,725)	(6,868)	(5,960)	(2,657)	(5,294)	
Uniform cost allowance	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Total, secondary schools	\$ (91,863)	\$ (98,075)	\$ (92,618)	\$ (42,911)	\$ (91,480)	(416,947)
Audit adjustment	\$ (161,939)	\$ (154,609)	\$ (158,259)	\$ (93,041)	\$ (149,731)	\$ (717,579)

Education Code section 48260, subdivision (a), (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission of State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2003-04 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absence from school without a valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) – minute period during the school day on three (3) occasions in one school year, or any combinations thereof.

Recommendation

We recommend that the district claim initial truancy notification costs only for those students between age 6 and age 18 who accumulate three or more unexcused absences or tardiness occurrences, in accordance with Education Code sections 48200 and 48260, subdivision (a).

District's Response

The district agreed with the finding.

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



OAKLAND UNIFIED
SCHOOL DISTRICT

expect Success

every student. every classroom. every day.

FAMILY & COMMUNITY OFFICE

August 27, 2010

Mr. James Spano
Bureau Chief
Mandated Cost Audits Bureau
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Mr. Spano:

The following is the OUSD response to the Audit Report on the OUSD Notification of Truancy Program for the period 7/1/2002 through 6/30/2008. We accept the objectives, scope, methodology and findings of this audit. Further we appreciate the guidance afforded us in the process such that we will be able to avoid errors in the future.

We recognize that our primary problem areas were 1) our inability to provide adequate evidence of the notification of truancy matched against the attendance history of students; and 2) sending notifications of truancy to students ineligible for any reimbursement from the state. OUSD has already taken steps to remediate these areas of problem.

Please let us know if you require any further information or documentation from OUSD.

Regards,

Adrian V. Kirk
Director, Family & Community Office

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

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

OAKLAND UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2008, through June 30, 2011



JOHN CHIANG
California State Controller

January 2014



JOHN CHIANG
California State Controller

January 28, 2014

David Kakishiba, President
Governing Board
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

Dear Mr. Kakishiba:

The State Controller's Office audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$948,574 for the mandated program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, 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, CPA
Chief, Division of Audits

JVB/kw

cc: Gary Yee, Ed.D., Superintendent
Oakland Unified School District
Vernon Hal, Deputy Superintendent
Oakland Unified School District
Curtiss Sarikey, Associate Superintendent
Oakland Unified School District
Theresa Clincy, Coordinator
Attendance and Discipline Support Services
Oakland Unified School District

Dina Stewart, Director, District Business Services
Alameda County Office of Education

Peter Foggiato, Director
School Fiscal Services Division
California Department of Education

Carol Bingham, Director
Fiscal Policy Division
California Department of Education

Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance

Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$948,574 for the mandated program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

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.

Conclusion

Our audit found 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 Oakland Unified School District claimed \$948,574 for costs of the Notification of Truancy Program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on December 3, 2013. We contacted Theresa Clincy, Coordinator, Attendance and Discipline Support Services, by e-mail on December 11 and December 19, 2013, and advised the district that the response to the draft audit report's findings was due December 19, 2013. We also left a telephone message with Ms. Clincy on January 10, 2014, asking if the district plans to provide a response to the draft report. The district did not respond to the emails or telephone message.

Restricted Use

This report is solely for the information and use of the Oakland Unified School District, the Alameda 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, CPA
Chief, Division of Audits

January 28, 2014

**Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	\$ 17,968	\$ 16,543	\$ (1,425)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs ²	<u>\$ 318,752</u>	293,473	<u>\$ (25,279)</u>	
Less amount paid by the State		(72,224)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 221,249</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	\$ 19,627	\$ 18,102	\$ (1,525)	Findings 1, 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs ²	<u>\$ 350,735</u>	323,483	<u>\$ (27,252)</u>	
Less amount paid by the State		(68,890)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 254,593</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	\$ 15,259	\$ 14,622	\$ (637)	Findings 1, 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs ²	<u>\$ 279,087</u>	267,436	<u>\$ (11,651)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 267,436</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 948,574</u>	\$ 884,392	<u>\$ (64,182)</u>	
Less amount paid by the State		(141,114)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 743,278</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Unsupported and unallowable initial truancy notifications claimed

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$5,264. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented did not support the number of initial truancy notifications claimed.
- The documented initial truancy notifications included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	17,966	19,625	15,226	
Less number of initial truancy notifications claimed	(17,968)	(19,627)	(15,259)	
Overstated number of initial truancy notifications	(2)	(2)	(33)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Unallowable costs (A)	\$ (35)	\$ (36)	\$ (603)	\$ (674)
Number of initial truancy notifications distributed for independent study students	(65)	(91)	(99)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Unallowable costs (B)	\$ (1,153)	\$ (1,626)	\$ (1,811)	(4,590)
Audit adjustment ((A) + (B))	\$ (1,188)	\$ (1,662)	\$ (2,414)	\$ (5,264)

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. We also recommend that the district exclude notifications distributed for independent study students from the total number of notifications claimed for mandated program reimbursement.

SCO Comments

The district did not provide a response to this finding.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$58,918. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded independent study students identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2008-09	2009-10	2010-11
Total notifications sampled, daily attendance accounting	<u>6,541</u>	<u>8,250</u>	<u>5,198</u>
Period attendance accounting:			
Documented notifications	11,425	11,375	10,028
Less number of notifications distributed for independent study students (Finding 1)	<u>(65)</u>	<u>(91)</u>	<u>(99)</u>
Total notifications sampled, period attendance accounting	<u>11,360</u>	<u>11,284</u>	<u>9,929</u>

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

For period attendance accounting students, the district’s truancy policy was inconsistent with Education Code sections 48260, subdivision (a), and 48260.5. The district’s policy was to classify a period attendance accounting student as truant only when the student accumulated three days during which the student’s absence was unexcused for the full day or at least 50% of the periods within the student’s daily schedule. The district’s attendance records identified some instances where the district distributed initial truancy notifications for students who had not accumulated the number of unexcused absences required under the district’s policy. However, we allowed initial truancy notifications for those students whose attendance records documented that the student accumulated three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(13)	(15)	(1)
Fewer than three total	<u>(2)</u>	<u>(1)</u>	<u>-</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(15)</u>	<u>(16)</u>	<u>(1)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	(9)	(7)	(7)
Fewer than three total	<u>-</u>	<u>-</u>	<u>-</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(9)</u>	<u>(7)</u>	<u>(7)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(15)	(16)	(1)	
Statistical sample size	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(10.20)%	(10.88)%	(0.68)%	
Population sampled	× 6,541	× 8,250	× 5,198	
Extrapolated number of unallowable initial truancy notifications	(667)	(898)	(35)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment, daily attendance accounting (C) ¹	<u>\$ (11,833)</u>	<u>\$ (16,047)</u>	<u>\$ (640)</u>	\$ (28,520)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(9)	(7)	(7)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable Percentage	(6.08)%	(4.73)%	(4.73)%	
Population sampled	× 11,360	× 11,284	× 9,929	
Extrapolated number of unallowable initial truancy notifications	(691)	(534)	(470)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment, period attendance accounting (D) ¹	<u>\$ (12,258)</u>	<u>\$ (9,543)</u>	<u>\$ (8,597)</u>	<u>(30,398)</u>
Total audit adjustment ((C) + (D))	<u>\$ (24,091)</u>	<u>\$ (25,590)</u>	<u>\$ (9,237)</u>	<u>\$ (58,918)</u>

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines. We also recommend that the district revise its truancy policy to classify period attendance accounting students as truant, and issue the required initial truancy notifications, consistent with Education Code sections 48260, subdivision (a), and 48260.5.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

SCO Comments

The district did not provide a response to this finding.

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

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

ONTARIO-MONTCLAIR SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

February 2007



JOHN CHIANG
California State Controller

February 14, 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 Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$348,851 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported initial truancy notification costs. The district should return the total amount to the State.

If you disagree with the audit finding, 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

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
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California Department of Education
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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Finding and Recommendation	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 18, 2006.

The district claimed and was paid \$348,851 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported initial truancy notification costs. The district should return the total amount to the State.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, as *Parameters and Guidelines* has not been amended, for mandate-reimbursement purposes, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2001, 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 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 \$348,851 for costs of the Notification of Truancy Program. Our audit disclosed that the entire amount is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the district \$120,812. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$120,812 to the State.

For the FY 2002-03 claim, the State paid the district \$97,627. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$97,627 to the State.

For the FY 2003-04 claim, the State paid the district \$130,412. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$130,412 to the State.

**Views of
Responsible
Official**

We issued a draft audit report on December 6, 2006. We contacted Elizabeth McNevin, Accountant, by telephone on January 18, 2007. 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, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment ¹</u>
<u>July 1, 2001, through June 30, 2002</u>			
Number of truancy notifications	9,358	—	(9,358)
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91
Total program costs	<u>\$ 120,812</u>	—	<u>\$ (120,812)</u>
Less amount paid by the State		(120,812)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (120,812)</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Number of truancy notifications	7,396	—	(7,396)
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20
Total program costs	<u>\$ 97,627</u>	—	<u>\$ (97,627)</u>
Less amount paid by the State		(97,627)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (97,627)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Number of truancy notifications	9,547	—	(9,547)
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66
Total program costs	<u>\$ 130,412</u>	—	<u>\$ (130,412)</u>
Less amount paid by the State		(130,412)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (130,412)</u>	
<u>Summary: July 1, 2001, through June 30, 2004</u>			
Total program costs	<u>\$ 348,851</u>	\$ —	<u>\$ 348,851</u>
Less amount paid by the State		(348,851)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (348,851)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Unallowable initial
truancy notification
costs claimed**

During the audit period, the district claimed unallowable costs totaling \$348,851 for 26,301 initial truancy notifications. The costs are unallowable for one or more of the following reasons.

- The district did not provide documentation showing that it distributed initial truancy notification letters.
- The district distributed truancy notification letters that did not contain the elements required by *Parameters and Guidelines*.
- The district claimed initial truancy notification costs for students who did not have the required number of unexcused absences or tardies.
- In counting unexcused absences, the district included days on which students were suspended or assigned to independent study.

The district provided attendance exception reports to support the number of notifications claimed. The district’s attendance exception reports indicate that the district underclaimed total notifications by 61 for the audit period. From the total population identified, we selected statistical samples based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. For each fiscal year, we stratified the sample between elementary school and middle school students because districts account for attendance differently between these school levels. The following table shows the population and sample sizes.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Population:				
Elementary schools	7,151	5,485	7,597	20,233
Middle schools	2,213	1,908	2,008	6,129
Total	<u>9,364</u>	<u>7,393</u>	<u>9,605</u>	<u>26,362</u>
Sample size:				
Elementary schools	147	146	147	440
Middle schools	141	139	140	420
Total	<u>288</u>	<u>285</u>	<u>287</u>	<u>860</u>

For the audit period, our review disclosed the following information.

- The district provided documentation of initial truancy notification letters for only 42 elementary school students. The district did not provide any documentation for middle school students. School personnel stated that the missing notifications were either not maintained or never prepared. In addition, the district did not have standardized policies and procedures for reporting the initial truancy notification.

For some district school sites, attendance clerks and administrators described the schools’ attendance process, which might include telephone calls or home visits. Some school sites provided telephone logs for review. Although notifying parents or guardians by telephone

call is not a reimbursable activity, we reviewed the telephone logs and attendance records to gain an understanding of each school site's process by which it notifies a student's parent or guardian of the five elements required by the mandated program. These records did not support that school officials discussed the required elements with the students' parents or guardians. Furthermore, *Parameters and Guidelines* requires the district to document the five elements on a form that is distributed to truant student's parent or guardian.

- The district provided documentation for 42 truancy notification letters. These letters did not include the elements required by *Parameters and Guidelines*. The individual schools, the district's School Attendance Review Team, or the district's School Attendance Review Board issued these letters. The district did not develop a uniform letter for use by all schools. Some school sites provided a sample of their current truancy notification letter. The current letters also did not include the required elements.
- Attendance records showed that 50 elementary school students and 49 middle school students did not have four or more unexcused absences. Initial truancy notification letters are not allowable for these students.
- For seven students, attendance records showed that the district included as unexcused absences days on which students participated in independent study. For 83 students, attendance records showed that the district included as unexcused absences days that students were suspended. However, school suspensions and participation in independent study are not trancies as defined by the *Education Code*.

Parameters and Guidelines requires districts, upon a student's initial classification as a truant, to notify the student's parent or guardian by first-class mail or other reasonable means of (1) the student's truancy; (2) that the parent or guardian is obligated to compel the attendance of the student at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution. Districts must also inform parents and guardians of (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1984, amended *Education Code* Section 48260.5, by requiring districts to notify parents or guardians of three additional elements. However, since *Parameters and Guidelines* has not been amended, districts may be reimbursed under the mandated program if they comply with the five elements specified in *Parameters and Guidelines*.

Parameters and Guidelines states, "A truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year." Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one

school year, or any combination thereof. However, as *Parameters and Guidelines* has not been amended, for mandate-reimbursement purposes, a pupil is initially classified as truant upon the fourth unexcused absence.

In specifying reimbursable costs, *Parameters and Guidelines* states that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. *Parameters and Guidelines* also states that districts must provide documentation in support of the reimbursement claimed.

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Unallowable truancy notifications claimed	(9,358)	(7,396)	(9,547)	\$ (26,301)
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (120,812)</u>	<u>\$ (97,627)</u>	<u>\$ (130,412)</u>	<u>\$ (348,851)</u>

Recommendation

We recommend that the district distribute initial truancy notifications that comply with *Education Code* Section 48260.5, and that it maintain documentation supporting notifications distributed. We also recommend that the district classify pupils as truant according to *Education Code* Section 48260(a). However, for mandate-reimbursement purposes, we recommend that the district claim only those pupils who meet the truancy definition provided in *Parameters and Guidelines*.

Subsequent to our audit fieldwork, the district submitted a proposed truancy notification letter for our review. The sample letter provided meets *Parameters and Guidelines* and *Education Code* requirements.

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

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983;
Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995;
and Chapter 69, Statutes of 2007

July 1, 2007, through June 30, 2010



JOHN CHIANG
California State Controller

February 2013



JOHN CHIANG
California State Controller

February 22, 2013

Gayle Cloud, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$684,558 is allowable and \$111,552 is unallowable. The costs are unallowable because the district claimed unsupported, unallowable, and non-reimbursable initial truancy notifications. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, 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 website 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, CPA
Chief, Division of Audits

JVB/vb

cc: Richard L. Miller, Ph.D., Superintendent
Riverside Unified School District
Michael H. Fine, Deputy Superintendent
Business Services and Governmental Relations
Riverside Unified School District
Timothy Walker, Executive Director of Pupil Services/SELPA
Riverside Unified School District
Annette Alvarez, Fiscal Services Manager
Riverside Unified School District
Gerald P. Colapinto, President, Board of Education
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$684,558 is allowable and \$111,552 is unallowable. The costs are unallowable because the district claimed unsupported, unallowable, and non-reimbursable initial truancy notifications. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2007, through June 30, 2010.

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.

Conclusion

Our audit found 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 Riverside Unified School District claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for costs of the Notification of Truancy Program. Our audit disclosed that \$684,558 is allowable and \$111,552 is unallowable. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on December 19, 2012. Michael H. Fine, Deputy Superintendent, Business Services and Governmental Relations, responded by letter dated January 18, 2013 (Attachment). The district disagreed with Findings 1 and 2, but did not dispute Finding 3. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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, CPA
Chief, Division of Audits

February 22, 2013

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	16,718	14,426	(2,292)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	\$ 288,887	\$ 249,280	\$ (39,607)	
Noncompliant initial truancy notifications	—	(31,160)	(31,160)	Finding 3
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs ²	<u>\$ 278,887</u>	208,120	<u>\$ (70,767)</u>	
Less amount paid by the State		(8)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 208,112</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	16,130	14,243	(1,887)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs ²	<u>\$ 286,146</u>	\$ 252,670	<u>\$ (33,476)</u>	
Less amount paid by the State		(64,836)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 187,834</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	12,931	12,522	(409)	Findings 1, 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs ²	<u>\$ 231,077</u>	\$ 223,768	<u>\$ (7,309)</u>	
Less amount paid by the State		(45,387)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 178,381</u>		
<u>Summary: July 1, 2007, through June 30, 2010</u>				
Total costs	\$ 806,110	\$ 694,558	\$ (111,552)	
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs	<u>\$ 796,110</u>	684,558	<u>\$ (111,552)</u>	
Less amount paid by the state		(110,231)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 574,327</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Overstated, understated, and unallowable initial truancy notifications

For each fiscal year, the district either overstated or understated the total number of initial truancy notifications distributed. The district also claimed costs for unallowable initial truancy notifications. For the audit period, the district claimed unallowable costs totaling \$11,982. The costs were unallowable for the following reasons:

- The district's records show that the district overstated the total number of initial truancy notifications claimed for fiscal year (FY) 2007-08 and FY 2008-09, and understated the total number of notifications claimed for FY 2009-10.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district claimed initial truancy notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness and period or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Number of notifications documented—daily attendance accounting	6,724	6,996	5,995	
Number of notifications documented—period attendance accounting	9,645	9,039	6,963	
Total number of notifications documented	16,369	16,035	12,958	
Less number of notifications claimed	(16,718)	(16,130)	(12,931)	
(Overstated)/understated number of notifications	(349)	(95)	27	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (6,031)	\$ (1,685)	\$ 482	\$ (7,234)
Number of notifications distributed for charter school students	(6)	(1)	(4)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (104)	\$ (18)	\$ (71)	(193)
Number of notifications distributed for independent study students	(143)	(55)	(62)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (2,471)	\$ (976)	\$ (1,108)	(4,555)
Total audit adjustment	\$ (8,606)	\$ (2,679)	\$ (697)	\$ (11,982)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any notifications that it distributes for charter school and independent study students.

District's Response

The district did not dispute the overstated and understated total number of initial truancy notifications distributed. The district agreed with the audit adjustment for charter school students. The district disagreed with the audit adjustment related to independent study students. The district provided the following response:

The draft audit report does not state a legal basis to exclude independent study students from the attendance accounting system required by Title 5 or the mandated initial notice of truancy mandated by the California Education Code. The nature of the independent study course delivery and student evaluation does not exclude those students from the attendance accounting system absent some legal reason which has not be [sic] cited by the draft audit report.

SCO's Comment

The finding and recommendation are unchanged. The district disputed only the audit adjustment related to independent study students.

Education Code section 51747, subdivision (c)(7), specifies that independent study is an optional educational alternative to the student; no student may be required to participate. Education Code section 51747, subdivisions (a), (b), and (c), specify that districts evaluate an independent study student's satisfactory progress by establishing a maximum length of time that may elapse between the time an assignment is made and the date by which the student must complete the assigned work. Districts also determine the number of missed assignments that will be allowed before an evaluation is conducted to determine whether

the student should return to the regular school program. Thus, students are not held accountable to specific daily or period attendance and cannot be evaluated within the parameters of Education Code section 48260, subdivision (a).

The California Department of Education's School Attendance Review Board Handbook addresses the evaluation of independent study students' progress. It states in part:

However, many pupils do not meet the requirements of their written independent study agreements or do not show up for their independent study meetings. When pupils do not make progress in independent study or do not show up for their independent study meetings with teachers, they should be referred back for regular classroom instruction. If the pupils remain absent after being enrolled in the regular school classroom, further intervention activities at the school [i.e. compliance with Education Code section 48260, subdivision (a)] should begin immediately.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$68,410. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded charter school and independent study students identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2007-08	2008-09	2009-10
Total notifications sampled, daily attendance accounting	<u>6,724</u>	<u>6,996</u>	<u>5,995</u>
Period attendance accounting:			
Documented notifications	9,645	9,039	6,963
Less number of notifications distributed for charter school students (Finding 1)	(6)	(1)	(4)
Less number of notifications distributed for independent study students (Finding 1)	<u>(143)</u>	<u>(55)</u>	<u>(62)</u>
Total notifications sampled, period attendance accounting	<u>9,496</u>	<u>8,983</u>	<u>6,897</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2007-08	2008-09	2009-10
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(22)	(20)	(8)
Fewer than three total	<u>(6)</u>	<u>(5)</u>	<u>(1)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u><u>(28)</u></u>	<u><u>(25)</u></u>	<u><u>(9)</u></u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	<u><u>8</u></u>	<u><u>9</u></u>	<u><u>—</u></u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(28)	(25)	(9)	
Statistical sample size	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(19.05)%	(17.01)%	(6.16)%	
Population sampled	× 6,724	× 6,996	× 5,995	
Extrapolated number of unallowable initial truancy notifications	(1,281)	(1,190)	(370)	
Uniform cost allowable	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment, daily attendance accounting ¹	<u>\$ (22,136)</u>	<u>\$ (21,111)</u>	<u>\$ (6,612)</u>	<u>\$ (49,859)</u>

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(8)	(9)		
Statistical sample size	÷ 148	÷ 148		
Unallowable percentage	(5.41)%	(6.08)%		
Population sampled	× 9,496	× 8,983		
Extrapolated number of unallowable initial truancy notifications	(513)	(546)		
Uniform cost allowable	× \$17.28	× \$17.74		
Audit adjustment, period attendance accounting ¹	\$ (8,865)	\$ (9,686)	—	(18,551)
Total audit adjustment	\$ (31,001)	\$ (30,797)	\$ (6,612)	\$ (68,410)

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994, states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before a student’s 6th birthday or after a student’s 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The district did not dispute the audit adjustment related to students who accumulated fewer than three total unexcused absences or tardiness occurrences during the school year. The district disagreed with the use of statistical sampling and the exclusion of unexcused absences that did not occur between students' 6th and 18th birthdays. The district's response is as follows:

This finding is based on statistical sampling. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (California Government Code Section 17561(d) (2)). It would, therefore, appear that the findings are based upon the wrong standard for review.

Statistical sampling was used for the two previous Controller audits of this mandate program at this District. . . . The District's objections to the statistical sampling were stated in its two incorrect reduction claims and those objections apply to this third audit. . . .

A total of 67 (50+17) of the notices sampled were disallowed because of the student's age at the time of the unexcused absences. That is, the student was younger than 6 years and [*sic*] older than 17 years at the time some or all of the absences were accrued which is outside the compulsory attendance law (California Education Code Section 48200). However, the District has statutory duties to enroll some children who are five-years old at the beginning of the school year and 18 years old at the end of the school year, as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. The adjustments that result from the statistical sampling should be withdrawn as unrepresentative and unsupported by law. . . .

SCO's Comment

The finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states, "The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard. . . ." We disagree on two points.

We do assert that the claimed costs were excessive. Excessive is defined as "Exceeding what is usual, *proper* [emphasis added], necessary, or normal." ¹ The district filed claims that were improper because the district claimed costs that are not reimbursable under the mandated program.

¹ Merriam-Webster's Collegiate Dictionary, Tenth Edition © 2001.

Further, Government Code section 17561, subdivision (d)(2)(B) is not the only applicable audit standard. Government Code section 17561, subdivision (d)(2)(A)(i) states that the SCO may audit the records of any school district “to verify the actual amount of the mandated costs.”

Finally, Government Code section 12410 states, “The Controller shall audit *all claims* [emphasis added] against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

The district states that we cited no statutory or regulatory authority to “reduce claimed reimbursement based on an extrapolation of a statistical sample.” As the district previously indicated, Government Code section 17561, subdivision (d)(2) allows the SCO to reduce any claim that it determines is excessive or unreasonable. We properly used statistical sampling in our audit to reach such a determination.

We conducted our audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03, states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence. *Government Auditing Standards*, section 7.55, states, “Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.” Section 7.56 states, “Appropriateness is the measure of the quality of evidence. . . .” In further discussing appropriateness, section 7.63 states, “When a representative sample is needed, the use of statistical sampling approaches generally result in stronger evidence. . . .” Thus, statistical sampling provides appropriate evidence to determine whether the district’s claims are excessive or unreasonable.

Regarding unexcused absences or tardiness occurrences that did not occur between students’ 6th and 18th birthdays, the district states that it has “statutory duties” to enroll some students before age 6 or after age 18. The district confuses students’ statutory *requirement* to attend school between ages 6 and 18 with students’ *entitlement* to attend outside of that age range. Education Code section 48260, subdivision (a), states:

A pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, shall be classified as a truant. . . .

Education Code section 48200 states:

Each person *between the ages of 6 and 18 years* [emphasis added] not exempted . . . is subject to compulsory full-time education.

While the district is obligated to enroll the student before age 6 or after age 18, the student is not obligated to attend. Therefore, student absences that occur before a student's 6th birthday or after a student's 18th birthday are irrelevant in determining whether a student is truant.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$31,160 for FY 2007-08. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notifications that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet the obligation specified in item 2 may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item identified above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2007-08
Number of notifications documented	16,369
Less charter school students (Finding 1)	(6)
Less independent study students (Finding 1)	(143)
Less nonreimbursable notifications, daily attendance accounting (Finding 2)	(1,281)
Less nonreimbursable notifications, period attendance accounting (Finding 2)	(513)
Allowable initial truancy notifications	14,426
Uniform cost allowance	× \$17.28
Subtotal ¹	\$ 249,280
Unallowable percentage	× (12.5)%
Audit adjustment	<u>\$ (31,160)</u>

¹ Calculation difference due to rounding.

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.

District's Response

The district stated that it does not dispute the audit finding at this time.

The district's response included a public records request. The district's response and SCO's comment are as follows:

OTHER ISSUE— Public records request

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO's Comment

The SCO will respond to the district's request separate from this report.

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

BOARD OF EDUCATION
 Mrs. Gayle Cloud
 President
 Charles L. Beaty Ph.D.
 Vice President
 Mrs. Kathy Y. Allavie
 Clerk
 Mr. Tom Hunt
 Mrs. Patricia Lock-Dawson

Riverside Unified School District

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 3380 14TH STREET - P. O. BOX 2800
 RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT
 (951) 788-7131
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RICHARD L. MILLER, PH.D.
 District Superintendent



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 18, 2013

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

Re: Chapter 498, Statutes of 1983
 Notification of Truancy (Third Audit)
 Fiscal Years: 2007-08, 2008-09, and 2009-10
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated December 19, 2012, and received by the District on January 7, 2013, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement annual claims for the period of July 1, 2007 through June 30, 2010.

FINDING 1 - Overstated, understated, and unallowable initial truancy notifications

This finding disallows \$11,982 (688 notifications) from the total number of notifications claimed. There are three sources for the total adjustment to allowable notifications:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
A. No documentation	<349>	<95>	27	<417>

The District does not dispute this adjustment at this time. The District has not located the additional supporting documentation requested by the auditor after an extensive search. These 417 notices represent about one-percent of the total 45,779 notices claimed for the three fiscal years.

B. Charter school students	<6>	<1>	<4>	<11>
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The District agrees with the adjustment. The Charter schools were incorrectly included in the number of notices claimed as a result of software error when extracting relevant information from the attendance accounting system that has been corrected.

C. Independent Study <143> <55> <62> <260>

The District does not agree with this adjustment. This has not been a finding in previous audits of this District. The draft audit report states:

The district claimed initial truancy notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness and period or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The draft audit report does not state a legal basis to exclude independent study students from the attendance accounting system required by Title 5 or the mandated initial notice of truancy mandated by the California Education Code. The nature of the independent study course delivery and student evaluation does not exclude those students from the attendance accounting system absent some legal reason which has not be cited by the draft audit report.

FINDING 2- Non-reimbursable initial truancy notifications

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$68,410 for Fiscal Years 2007-08, 2008-09, and 2009-10. This represents about 8.5% of the total claimed amount of \$806,110 for the three fiscal years.

This Finding is based on statistical sampling. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (California Government Code Section 17561(d) (2)). It would, therefore, appear that the findings are based upon the wrong standard for review.

Statistical sampling was used for the two previous Controller audits of this mandate program at this District and at about twenty other districts. This District and other districts have filed incorrect reduction claims with the Commission on State Mandates to appeal the Controller's use of sampling for this mandate program. Those appeals are still pending Commission action. The District's objections to the statistical sampling were stated in its two incorrect reduction claims and those objections apply to this third audit.

<u>DISALLOWANCE REASON</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>TOTAL</u>
<u>Daily Attendance</u>				
Underage (less than 6 years)	22	20	8	50
Less than 3 Absences	<u>6</u>	<u>5</u>	<u>1</u>	<u>12</u>
Total Disallowed	28	25	9	62
Sample Size	147	147	146	
Percentage Disallowance	19.05%	17.01%	6.16%	

Period Attendance

Overage (18 years plus)	8	9	17
Less than 3 Absences			
Total Disallowed	<u>8</u>	<u>9</u>	<u>17</u>
Sample Size	148	148	
Percentage Disallowance	5.41%	6.08%	

A. AGE OF STUDENT

A total of 67 (50+17) of the notices sampled were disallowed because of the student's age at the time of the unexcused absences. That is, the student was younger than 6 years and older than 17 years at the time some or all of the absences were accrued which is outside the compulsory attendance law (California Education Code Section 48200). However, the District has statutory duties to enroll some children who are five-years old at the beginning of the school year and 18 years old at the end of the school year, as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. The adjustments that result from the statistical sampling should be withdrawn as unrepresentative and unsupported by law. The District's objections to disallowance were stated in its two incorrect reduction claims and those objections apply to this third audit.

B. INSUFFICIENT NUMBER OF ABSENCES

These 12 sampled notices were disallowed for lack of documentation to support the three required unexcused absences or tardies required by California Education Code Section 48260. The District does not dispute the documentation issue at this time. The District has not located the additional supporting documentation requested by the auditor after an extensive search.

FINDING 3- Noncompliant initial truancy notifications

The draft audit report disallows \$31,160 (12.5%) of the FY 2007-08 claimed notices as noncompliant with California Education Code Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. In the previous (second) audit, the draft and final audit report disallowed 100% of the FY 2006-07 claimed notices as noncompliant with Section 48260.5 because the sixth element was missing. The second audit was later revised to reduce the adjustment to 12.5%, as it is for FY 2007-08. The District's initial notification of truancy was updated to include the missing sixth item in FY 2008-09.

The District's FY 2006-07 and FY 2007-08 initial notifications of truancy more than substantially complied with California Education Code Section 48260.5. The notice provided a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice,

Mr. Jim Spano, State Controller's Office

January 18, 2013

so the lack of citation of Section 48264 in the initial notification of truancy was substantively insignificant.

However, the reduction of the adjustment to 12.5% appears to be one solution to the imprecision of the California Education Code language, and the District does not dispute this adjustment at this time.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine
Deputy Superintendent
Business Services & Governmental Relations

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

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

August 2012



JOHN CHIANG
California State Controller

August 24, 2012

Gayle Cloud, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

This revised final report supersedes our previous report dated February 5, 2010. Our original report did not allow reimbursement for initial truancy notifications that did not comply with the program's parameters and guidelines. We revised Finding 3 to allow partial reimbursement for the fiscal year 2006-07 notifications that the district distributed. As a result, allowable costs increased by \$198,120 for the audit period.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

The district previously filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) on November 1, 2010. The district may file an amended IRC based on this revised final audit report. 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 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: Richard L. Miller, Ph.D., Superintendent
Riverside Unified School District
Michael H. Fine, Deputy Superintendent
Business Services and Governmental Relations
Riverside Unified School District
Timothy Walker, Executive Director of Pupil Services/SELPA
Riverside Unified School District
Annette Alvarez, Fiscal Services Manager
Riverside Unified School District
Gerald P. Colapinto, President
Board of Education
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Official	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations	6
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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. Except for the following issue, 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 were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

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, the Riverside Unified School District claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$210,743 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$233,635 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State paid the district \$215,415 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit disclosed that \$198,120 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 20, 2009. Michael H. Fine, Deputy Superintendent, responded by letter dated December 14, 2009 (Attachment). The district disagreed with Findings 2 and 3, and stated that it does not dispute Finding 1 at this time. We issued the final audit report on February 5, 2010.

Subsequently, we revised our audit report to allow partial reimbursement for non-compliant initial truancy notifications that the district distributed in FY 2006-07. We revised Finding 3 to reduce unallowable costs from \$226,423 to \$28,303. We advised Annette Alvarez, Fiscal Services Manager, of the revision.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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

August 24, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	17,943	15,501	(2,442)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total costs ²	\$ 245,101	\$ 211,743	\$ (33,358)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 244,101</u>	210,743	<u>\$ (33,358)</u>	
Less amount paid by the State		(210,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	19,134	16,431	(2,703)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total costs	\$ 273,234	\$ 234,635	\$ (38,599)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 272,234</u>	233,635	<u>\$ (38,599)</u>	
Less amount paid by the State		(233,635)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	15,645	13,862	(1,783)	Finding 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 243,123</u>	\$ 215,415	<u>\$ (27,708)</u>	
Less amount paid by the State ³		(215,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	14,020	14,020	—	
Uniform cost allowances	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 226,423	\$ 226,423	\$ —	
Noncompliant initial truancy notifications	—	(28,303)	(28,303)	Finding 3
Total program costs	<u>\$ 226,423</u>	\$ 198,120	<u>\$ (28,303)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

Revised Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total costs	\$ 987,881	\$ 859,913	\$ (127,968)	
Less late claim penalty	<u>(2,000)</u>	<u>(2,000)</u>	<u>—</u>	
Total program costs	<u>\$ 985,881</u>	857,913	<u>\$ (127,968)</u>	
Less amount paid by the State		<u>(659,793)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

¹ See the Revised Findings and Recommendations section.

² Calculation differences due to rounding.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Revised Findings and Recommendations

FINDING 1— Unsupported initial truancy notifications claimed

The district claimed \$799 in unsupported initial truancy notifications for fiscal year (FY) 2003-04 and FY 2004-05 because attendance records did not support the number of initial truancy notifications claimed.

For FY 2003-04 and FY 2004-05, the district claimed 17,943 and 19,134 initial truancy notifications, respectively. However, its attendance records supported only 17,919 and 19,101 notifications, respectively, for the same fiscal years. The overstated number of truancy notifications totaled 57.

The following table summarizes the unsupported initial truancy notifications claimed:

	Fiscal Year		Total
	2003-04	2004-05	
Number of elementary school initial notifications documented	9,214	9,395	
Number of secondary school initial notifications documented	8,705	9,706	
Total number of initial truancy notifications documented	17,919	19,101	
Less number of initial truancy notifications claimed	(17,943)	(19,134)	
Overstated number of initial truancy notifications	(24)	(33)	(57)
Uniform cost allowance	× \$13.66	× \$14.28	
Audit adjustment	\$ (328)	\$ (471)	\$ (799)

The program's parameter's and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform cost allowance and the number of eligible initial truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District's Response

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district overstated allowable initial truancy notifications by \$98,866 during the audit period. This amount is net of the adjustment in Finding 1 totaling \$799 in costs claimed that were not supported by the district's attendance records and \$5,237 of reimbursable elementary school costs the district did not claim for FY 2005-06.

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district's attendance records supported 454 more initial truancy notifications than it claimed for Harrison and Hawthorne Elementary Schools.

The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups for each year. For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes unallowable initial truancy notifications claimed:

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(36)	(40)	(38)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage Population sampled ¹	(24.32)% × 9,214	(27.03)% × 9,395	(25.85)% × 7,562	
Extrapolated number of unallowable initial truancy notifications	(2,241)	(2,539)	(1,955)	
Uniform cost allowance	×\$13.66	×\$14.28	×\$15.54	
Unallowable costs, elementary schools	<u>\$(30,612)</u>	<u>\$(36,257)</u>	<u>\$(30,381)</u>	\$ (97,250)

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Secondary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(3)	(2)	(3)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(2.03)%	(1.35)%	(2.04)%	
Population sampled ¹	× 8,705	× 9,706	× 8,083	
Extrapolated number of unallowable initial truancy notifications	(177)	(131)	(165)	
Uniform cost allowance	×\$13.66	×\$14.28	× \$15.54	
Unallowable costs, secondary schools	\$ (2,418)	\$ (1,871)	\$ (2,564)	(6,853)
Audit adjustment, unallowable initial truancy notifications claimed	<u>\$(33,030)</u>	<u>\$(38,128)</u>	<u>\$(32,945)</u>	<u>\$(104,103)</u>

¹ Net of unsupported truantries identified in Finding 1. For FY 2005-06, the population of elementary schools sampled totaled 8,016 (7,562 claimed and 454 unclaimed).

The following table summarizes unclaimed allowable initial truancy notifications:

	Fiscal Year 2005-06
<u>Elementary Schools</u>	
Understated number of initial truancy notifications	454
Allowable percentage	× 74.15%
Extrapolated number of unclaimed allowable initial truancy notifications	337
Uniform cost allowance	× \$15.54
Audit adjustment, unclaimed initial truancy notifications	<u>\$ 5,237</u>

The following table summarizes the unallowable initial truancy notifications claimed net of unclaimed notifications:

	Fiscal Years			Total
	2003-04	2004-05	2005-06	
Audit adjustment, unallowable initial truancy notifications claimed	\$ (33,030)	\$ (38,128)	\$ (32,945)	\$ (104,103)
Audit adjustment, unclaimed initial truancy notifications	—	—	5,237	5,237
Total audit adjustment	<u>\$ (33,030)</u>	<u>\$ (38,128)</u>	<u>\$ (27,708)</u>	<u>\$ (98,866)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For the audit period, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006. Therefore, for the audit period, an initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate three or more unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

District's Response

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

Audit by Sampling

The district concludes that the SCO based its audit finding on the “wrong standard for review” and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district’s records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, “The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

The SCO did, in fact, conclude that the district’s claim was excessive. “Excessive” is defined as “exceeding what is usual, *proper*, *necessary* [emphasis added], or normal.”¹ The district’s mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district believes that the sample results may not be representative of the universe because the audit sample included kindergarten students, who are more likely to be excluded due to the under-age issue. The district also states that the possibility that a special education student is under-age or over-age is “greater than [that of] the entire student body,” and the inclusion of special education students in the tested sample is “non-representative of the universe.” In fact, the opposite is true. An appropriate random, statistical sample may include some kindergarten and special education students because those students are part of the truancy population. The district’s response provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.

Number of Absences Required for the Initial Notification

The district does not distinguish between its statutory responsibility and mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program’s parameters and

¹ Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

guidelines. For the audit period (excluding FY 2006-07), the parameters and guidelines state that an initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district, and all other California school districts, failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

Age of Student

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

FINDING 3— Noncompliant initial truancy notifications

The district claimed unallowable costs totaling \$28,303. The costs are unallowable because the district distributed initial truancy notifications in FY 2006-07 that did not contain all eight items required by the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.

7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item listed above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year <u>2006-07</u>
Number of noncompliant initial truancy notifications	14,020
Uniform cost allowance	<u>× \$16.15</u>
Subtotal	226,423
Unallowable percentage	<u>× (12.5)%</u>
Audit adjustment	<u>\$ (28,303)</u>

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

District’s Response

The draft audit report states in the “Background” section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

SCO's Comment

Subsequent to our final audit report issued February 5, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district asserts that it was not "on notice" of the retroactive effect to FY 2006-07, as the program's parameters and guidelines were amended on January 31, 2008. We disagree. Chapter 1023, Statutes of 1994, required the district to notify parents/guardians of the eight specific items noted in this audit finding. Therefore, the district has been "on notice" of its statutory obligation since that time. The recent amendment to the parameters and guidelines simply aligns these guidelines with the Education Code for mandate-reimbursement purposes.

The district agrees that its FY 2006-07 initial truancy notification is missing a required element, as it does not state "the pupil may be subject to prosecution under Education Code section 48264." Nevertheless, the district believes it should be reimbursed because its notification "more than substantially complies with Education Code Section 48260.5." In addition, the district believes that our reference to Education Code section 48264 is "substantively insignificant" because enforcement under the section is not dependent on the number of unexcused absences that the pupil accumulates. We disagree on both counts. The parameters and guidelines do not provide reimbursement for "substantial compliance." In addition, the matter of when a district may enforce the provisions of Education Code section 48264 is irrelevant. The parameters and guidelines require that initial truancy notifications include the information provided in Education Code section 48260.5, subdivision (f). The district's notifications did not include the required information; therefore, only a prorated portion of the unit cost allowance is allowable.

OTHER ISSUE— Public records request

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

SCO's Comment

The SCO provided the district the requested records by separate letter dated January 26, 2010.

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

BOARD OF EDUCATION
Mr. Lewis Vanderzyl
President
Mr. Tom Hunt
Vice President
Mrs. Gayle Cloud
Clerk
Mrs. Kathy Allavie
Charles L. Beaty Ph.D.

Riverside Unified School District

Richard L. Miller, Ph.D.
District Superintendent

ADMINISTRATION BUILDING
3380 14TH STREET - P. O. BOX 2800
RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT
(951) 788-7135
FAX: (951) 778-5668

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 14, 2009

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 2003-04, 2004-05, 2005-06, 2006-07
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated November 20, 2009, and received by the District on December 1, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2003 through June 30, 2007.

FINDING 1 - Unsupported initial truancy notifications claimed

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

FINDING 2- Non-reimbursable initial truancy notifications claimed

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$98,866 for FY 2003-04, FY 2004-05, and FY 2005-06. There is no adjustment in this finding for FY 2006-07 as a result of Finding 3,

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth.

absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

FINDING 3- Noncompliant initial truancy notifications

The draft audit report disallows all (\$226,423) of the FY 2006-07 notices as noncompliant with Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. The draft audit states that effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms with the eight notice elements.

The draft audit report states in the "Background" section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine, Deputy Superintendent
Business Services & Governmental Relations

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

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2000, through June 30, 2002



JOHN CHIANG
California State Controller

April 2013



JOHN CHIANG
California State Controller

April 8, 2013

Gayle Cloud, President
Board of Education
Riverside Unified School District
3380 14th Street
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office (SCO) audited the claims filed by Riverside Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

This revised final report supersedes our previous revised final report, issued February 5, 2010. We revised Finding 2 of the final report to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications distributed in fiscal year (FY) 2000-01 that did not contain all five elements required by the parameters and guidelines. This revision increased allowable costs for FY 2000-01 from \$0 to \$112,854.

The district claimed \$399,535 for the mandated program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable. The unallowable costs resulted from the district overclaiming the number of reimbursable truancy notifications. The district was paid \$101,253. Allowable costs claimed exceed the amount paid by \$112,854.

The district previously filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) on September 13, 2010. The district may file an amended IRC based on this revised final audit report. 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 CSM's website link 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, CPA
Chief, Division of Audits

JVB/vb

cc: Richard L. Miller, Ph.D.
District Superintendent
Riverside Unified School District
Michael Fine
Deputy Superintendent
Riverside Unified School District
Kenneth M. Young, County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	4
Revised Schedule 1—Summary of Program Costs	5
Revised Findings and Recommendations.....	6

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Riverside Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$399,535 for the mandated program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable. The unallowable costs resulted from the district overclaiming the number of reimbursable truancy notifications. The district was paid \$101,253. The State will pay allowable costs claimed that exceed the amount paid, totaling \$112,854, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means (1) of the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to Education Code section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in Education Code section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on August 27, 1987, and last amended them on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2000, through June 30, 2002.

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 did not submit a representation letter.

Conclusion

The audit found 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 Riverside Unified School District claimed \$399,535 for costs of the Notification of Truancy Program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable.

For the fiscal year (FY) 2000-01 claim, the State made no payment to the district. Our audit found that \$112,854 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2001-02 claim, the State paid the district \$101,253. Our audit found that the entire amount is allowable.

**Views of
Responsible
Officials**

We issued a draft audit report on December 5, 2003. We did not receive a response to the draft audit report. We issued the initial final report on October 28, 2004.

First revised final audit report dated December 12, 2007

The district filed an incorrect reduction claim (IRC) with the Commission on State Mandates (CSM), on June 12, 2006, questioning our authority to audit the FY 1999-2000 claim because the statute of limitations for initiating an audit had expired. The SCO logged the district's claim on December 22, 2000. At that time, we had two years following the end of the calendar year in which the claim was filed to initiate an audit. Our audit, initiated in February 25, 2003, was not within the statutory period to initiate an audit. Therefore, the FY 1999-2000 audit adjustment of \$257,454 was removed and we issued the first revised final report on December 12, 2007.

Second revised final audit report dated February 5, 2010

The district filed a revised IRC with the CSM on August 26, 2008, questioning our application of sampling results to determine audit adjustments. We conducted a statistical sample on the total population of notifications claimed in each year of the audit period. Subsequently, we extrapolated the exception rate derived from the sample to determine unallowable notices.

The district correctly notes that the FY 2001-02 sample does not reflect the relative occurrence of trancies at different grade levels. We agree that attendance procedures for elementary and special education students differ from those for middle and high school students. Therefore, the 31.97% exception rate was incorrectly computed and does not accurately represent exceptions for both populations. We removed the adjustment totaling \$32,365 from Finding 2 of this revised final report.

However, for FY 2000-01, our sample results revealed that 100% of 149 tested notifications were unallowable. As the results identified exceptions for all notifications tested, we concluded that all notifications claimed for FY 2000-01 were unallowable. The audit adjustment remains unchanged from the prior revised audit report.

We advised Michael Fine, Deputy Superintendent, of the above revisions on December 29, 2009. In an email dated January 11, 2010, he concurred with the revisions that we made to Finding 2 of the audit report. We issued the second revised final audit report on February 5, 2010.

Third revised final audit report

The district filed a second revised IRC with the CSM on September 13, 2010, questioning the audit finding for FY 2000-01 as it pertained to notice content and documentation compliance for that year. As noted in the audit report, the two sample notifications provided by the district contained two of the five elements required by the parameters and guidelines. The district's Child Welfare and Attendance Office (CWA) oversaw the district's student attendance issues during FY 2000-01.

Notification forms made available by CWA that year for use by the district's thirty-eight school sites contained two of the five elements required by the parameters and guidelines. Therefore, we revised the final report herein to allow a prorated amount (40%) of the unit cost allowance for noncompliant initial truancy notifications distributed in FY 2000-01 that did not contain all five elements required by the parameters and guidelines. This revision increased allowable costs for FY 2000-01 from \$0 to \$112,854. We advised Michael Fine, Deputy Superintendent, of the above revisions via email on February 6, 2013, and again on February 28, 2013. Mr. Fine did not respond to the audit revisions.

Restricted Use

This report is solely for the information and use of the Riverside Unified School District, the Riverside 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, CPA
Chief, Division of Audits

April 8, 2013

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	23,258	22,163	(1,095)	Finding 1
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Subtotal	\$ 296,074	\$ 282,135	\$ (13,939)	
Noncompliant initial truancy notifications	—	(169,281)	(169,281)	Finding 2
Total program costs	<u>\$ 296,074</u>	\$ 112,854	<u>\$ (183,220)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,854</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	8,014	7,843	(171)	Finding 1
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 103,461</u>	\$ 101,253	<u>\$ (2,208)</u>	
Less amount paid by the State		(101,253)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Total program costs	<u>\$ 399,535</u>	\$ 214,107	<u>\$ (185,428)</u>	
Less amount paid by the State		(101,253)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,854</u>		

¹ See the Findings and Recommendations section.

Revised Findings and Recommendations

FINDING 1— Overclaimed number of initial truancies

The district claimed \$16,147 during the audit period for 1,266 initial truancy notification forms distributed to pupils' parents or guardians that were not supported by attendance records. The overclaimed number of initial truancy notifications resulted from mathematical errors when the district manually counted the students from student absence reports during the claim preparation process.

	Fiscal Year		Total
	2000-01	2001-02	
Number of truancy notifications supported by absence reports	22,163	7,843	
Less truancy notifications claimed	<u>(23,258)</u>	<u>(8,014)</u>	
Unallowable truancy notifications	(1,095)	(171)	<u>(1,266)</u>
Uniform cost allowance	<u>× \$12.73</u>	<u>× \$12.91</u>	
Audit adjustment	<u>\$ (13,939)</u>	<u>\$ (2,208)</u>	<u>\$ (16,147)</u>

Recommendation

We recommend that the district establish policies and procedures to ensure that it prepares claims that are free of mathematical errors.

District's Response

The district did not respond to this finding.

FINDING 2— Unallowable costs relating to initial truancies

The district claimed unallowable costs totaling \$169,281. The costs are unallowable because the district distributed initial truancy notifications in FY 2000-01 that did not contain all five items required by the parameters and guidelines.

Effective during FY 2000-01, the parameters and guidelines required that districts distribute initial truancy notification forms that notify parents or guardians of the following five items:

1. The pupil's truancy.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

The district distributed initial truancy notifications that did not include items two, three, and four listed above. Therefore, three-fifths (60%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2000-01
Number of noncompliant initial truancy notifications	22,163
Uniform cost allowance	× \$12.73
Subtotal	282,135
Unallowable percentage	× (60.0)%
Audit adjustment	<u>\$ (169,281)</u>

We selected a random sample of 149 students from the total population of pupils claimed as truant for FY 2000-01. We reviewed attendance records for the sample of 149 pupils claimed as truant for FY 2000-01. None of the 149 sampled notifications were reimbursable. For two of the sampled notifications, the district was able to provide notification letters that documented that the student was truant and that the parent of the truant student could meet with district staff to discuss the truancy issue. These letters did not contain three of the required five elements. The remaining 147 sampled notifications were not supported by any documentation.

We also noted that in FY 2000-01, the process of sending out truancy notification letters was the responsibility of individual school sites. Our sample included truant students from 33 of the district's 42 school sites. Except for the two notifications noted above, individual notification letters were not retained for audit purposes. In addition, the individual school sites did not retain sample copies of the truancy letters that were distributed to parents or guardians of truant students.

During FY 2001-02, the process of distributing truancy notification letters was consolidated within the district's Pupil Services Office. The district was able to document that the notification letters distributed in FY 2001-02 contained the five elements that are required by the parameters and guidelines. However, for some of the notifications reviewed, the pupils did not have four or more truantries in the school year. We did not project the error to the population, as our sample selected was not appropriately stratified among students with different attendance procedures. We also did not adjust claimed cost for the sampled items as the adjustment was immaterial. Attendance procedures for elementary and special education students differ from those for middle and high school students.

The program's parameters and guidelines, as amended by the CSM on July 22, 1993, specify that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents or guardians, and associated recordkeeping using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

For the audit period, the parameters and guidelines state that a truancy occurs when a student is absent from school without valid excuse for *more* than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. These parameters and guidelines allow the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to pupils' parents or guardians contain the five specified elements. Education Code section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require three additional elements. However, since the parameters and guidelines have not been amended, the claimant continues to be reimbursed if it complies with the five specified elements required by the guidelines.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines. The amended parameters and guidelines require the initial truancy notification form to contain eight specified elements and define a truancy as follows:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) – minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate three or more unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

District's Response

The district agreed with the removal of the FY 2001-02 adjustment as the statistical sampling was not representative. The district did not respond to the adjustment of FY 2000-01 costs for the district's omission of three of the five required elements in the initial truancy notifications.

SCO's Comment

Subsequent to the issuance of the second revised final audit report dated February 5, 2010, the district filed a second revised incorrect reduction claim on September 13, 2010, questioning the 100% audit adjustment for the district's failure to include only two of the three required elements in the initial truancy notifications. We concurred with the district and restated 40% of the costs as the initial truancy notifications contained two of the five required elements. As a result, the audit adjustment decreased by \$112,854, from \$282,135 to \$169,281.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874
<http://www.sco.ca.gov>**

S03-MCC-022

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2002, through June 30, 2007



JOHN CHIANG
California State Controller

October 2012



JOHN CHIANG
California State Controller

October 25, 2012

Diana Rodriguez, President
Board of Education
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

Dear Ms. Rodriguez:

The State Controller's Office audited the costs claimed by Sacramento City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2007.

This revised final report supersedes our previous report dated April 15, 2009. Our original report identified unallowable costs for fiscal year 2006-07 totaling \$215,990, because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$188,991 for the audit period.

The district claimed \$1,096,044 for the mandated program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable. The costs are unallowable because the district claimed unsupported, nonreimbursable, and noncompliant initial truancy notifications. The State paid the district \$800,171. The State will pay allowable costs claimed that exceed the amount paid, totaling \$188,991, 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 CSM's Web site link 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/vb

cc: Jonathan P. Raymond, Superintendent
Sacramento City Unified School District
Patty Hagemeyer, Chief Business Officer
Sacramento City Unified School District
Greg Geeting, President
Sacramento County Board of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations.....	6
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2007.

The district claimed \$1,096,044 for the mandated program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable. The costs are unallowable because the district claimed unsupported, nonreimbursable, and noncompliant initial truancy notifications. The State paid the district \$800,171. The State will pay allowable costs claimed that exceed the amount paid, totaling \$188,991, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to also notify the pupil's parent or guardian that: (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five items.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2002, through June 30, 2007.

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.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Revised Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, the Sacramento City Unified School District claimed \$1,096,044 for costs of the Notification of Truancy Program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$177,197. Our audit disclosed that the entire amount is allowable.

For the FY 2003-04 claim, the State paid the district \$183,208. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$179,999. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State paid the district \$259,767 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit disclosed that \$188,991 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on February 27, 2009. Thomas S. Barentson, Deputy Superintendent/CFO, responded by letter dated March 20, 2009 (Attachment), disagreeing with the audit results. We issued our original final audit report on April 15, 2009.

Subsequently, we revised Finding 3 to allow partial reimbursement for noncompliant initial truancy notifications distributed during FY 2006-07. As a result, we revised Finding 3 to reduce the audit adjustment from \$215,990 to \$26,999. On October 10, 2012, we notified Patty Hagemeyer, Chief Business Officer, of the final audit report revisions. Ms. Hagemeyer did not comment on the revisions.

Restricted Use

This report is solely for the information and use of the Sacramento City Unified School District, the Sacramento 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

October 25, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	14,078	13,424	(654)	Findings 1, 2
Uniform cost allowance	× \$ 13.20	× \$ 13.20	× \$ 13.20	
Total program costs	<u>\$ 185,830</u>	177,197	<u>\$ (8,633)</u>	
Less amount paid by the State		<u>(177,197)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	18,628	13,412	(5,216)	Findings 1, 2
Uniform cost allowance	× \$ 13.66	× \$ 13.66	× \$ 13.66	
Total program costs	<u>\$ 254,458</u>	183,208	<u>\$ (71,250)</u>	
Less amount paid by the State		<u>(183,208)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	12,605	12,886	281	Findings 1, 2
Uniform cost allowance	× \$ 14.28	× \$ 14.28	× \$ 14.28	
Subtotal	179,999	184,012	4,013	
Less allowable costs that exceed costs claimed ²	<u>—</u>	<u>(4,013)</u>	<u>(4,013)</u>	
Total program costs	<u>\$ 179,999</u>	179,999	<u>\$ —</u>	
Less amount paid by the State		<u>179,999</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	16,716	16,749	33	Findings 1, 2
Uniform cost allowance	× \$ 15.54	× \$ 15.54	× \$ 15.54	
Subtotal	259,767	260,279	512	
Less allowable costs that exceed costs claimed ²	<u>—</u>	<u>(512)</u>	<u>(512)</u>	
Total program costs	<u>\$ 259,767</u>	259,767	<u>\$ —</u>	
Less amount paid by the State ³		<u>(259,767)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	13,374	13,374	—	
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 215,990	\$ 215,990	\$ —	
Noncompliant initial truancy notifications	—	(26,999)	(26,999)	Finding 3
Total program costs	<u>\$ 215,990</u>	188,991	<u>\$ (26,999)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,991</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Total program costs	<u>\$ 1,096,044</u>	\$ 989,162	<u>\$ (106,882)</u>	
Less amount paid by the State		(800,171)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,991</u>		

¹ See the Revised 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 2004-05 and FY 2005-06.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Revised Findings and Recommendations

FINDING 1— Overstated, understated, and unallowable initial truancy notifications claimed

The district claimed costs for initial truancy notifications that were unallowable or not supported by the district's records. Unallowable costs total \$54,793. The costs are unallowable because:

- The district's records did not support the total number of initial truancy notifications that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Number of elementary and K-8 school initial truancy notifications documented	2,902	2,346	942	5,728	
Number of secondary school initial truancy notifications documented	11,107	11,876	12,794	12,677	
Total number of initial truancy notifications documented	14,009	14,222	13,736	18,405	
Less number of initial truancy notifications claimed	(14,078)	(18,628)	(12,605)	(16,716)	
Understated/(overstated) number of initial truancy notifications	(69)	(4,406)	1,131	1,689	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (911)	\$ (60,186)	\$ 16,151	\$ 26,247	\$ (18,699)
Number of charter school initial truancy notifications	(50)	(372)	(569)	(679)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (660)	\$ (5,082)	\$ (8,125)	\$ (10,552)	(24,419)
Duplicate truancy notifications	(196)	(222)	(189)	(216)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (2,587)	\$ (3,032)	\$ (2,699)	\$ (3,357)	(11,675)
Audit adjustment	\$ (4,158)	\$ (68,300)	\$ 5,327	\$ 12,338	\$ (54,793)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government Code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those notifications that it distributes for charter school students and duplicate notifications that it distributes for the same student.

District’s Response

- 1) The District regrets being unable to fully substantiate all notifications claimed. As this audit addresses activities/documentation that occurred seven years ago it is understandable that not all records still exist The District acknowledges the language regarding retaining mandated cost audit support documentation and is not disputing this finding. However, SCO language regarding support documentation does not align with guidance provided by the California Department of Education. Additionally, had the SCO undertaken this audit in a timely manner the possibility that all documentation could have been recovered would be greater.
- 2) The SCO’s position that charter schools are not eligible claimants was not known at the time these claims were filed and was only recently made known to mandated cost claimants. The SCO is applying a new position to a time period when the prohibition did not exist.
- 3) 823 notifications related to duplication. The District has no issue with this finding.

SCO’s Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states, “SCO language regarding support documentation does not align with guidance provided by the California Department of Education.” The program’s parameters and guidelines, not the SCO, specify supporting documentation requirements. The parameters and guidelines state, “For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless other specified by statute and be made available at the

request of the State Controller or his agent.” The district first received payment on September 11, 2006, for its fiscal year (FY) 2002-03 through FY 2006-07 claims. The district did not specify its reference to California Department of Education guidance; therefore, we cannot address that portion of the district’s response.

The district also alleges that the SCO audit was untimely. Government Code section 17558.5, subdivision (a), states:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

The district first received payment on September 11, 2006, for these claims. The SCO initiated its audit on May 30, 2007, within the statutory time frame allowed. It is the district’s responsibility to maintain documentation during the period that its claims are subject to audit.

In addition, the district infers that the SCO developed a position on charter schools and alleges that the SCO incorrectly applied a “new position” to previous fiscal years. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$20,565. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2002-03 through FY 2005-06, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented, excluding those notifications distributed to charter school students and those duplicate notifications identified in Finding 1. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and K-8 school, and secondary school attendance differently; therefore, we stratified the population into two groups.

The following table summarizes the number of initial truancy notifications that the district documented:

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Number of initial truancy notifications documented:				
Elementary and K-8 schools	2,852	2,346	917	5,556
Secondary schools	10,911	11,282	12,061	11,954
Total	13,763	13,628	12,978	17,510

The district claimed unallowable initial truancy notifications for elementary and K-8 school students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment.

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Number of unallowable initial truancy notifications	(17)	(13)	(13)	(20)	
Statistical sample size	÷ 143	÷ 141	÷ 129	÷ 146	
Unallowable percentage	(11.89)%	(9.22)%	(10.08)%	(13.70)%	
Number of initial truancy notifications documented	× 2,852	× 2,346	× 917	× 5,556	
Total number of unallowable initial truancy notifications	(339)	(216)	(92)	(761)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Audit adjustment	\$ (4,475)	\$ (2,950)	\$ (1,314)	\$ (11,826)	\$ (20,565)

Education Code section 48260, subdivision (a), (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2002-03 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The basis of this finding rests on the discrepancy between the Parameters and Guidelines (P's & G's) and the Education Code. Since 1994, Education Code 48260.5 has required notification upon the third unexcused absence or tardy in excess of 30 minutes. The P's & G's however did not reflect this language and remained outdated until their recent amendment effective July 1, 2006. The District's responsibility is to comply with Education Code and its policy regarding truancy abatement is not directed by mandated costs. The District regrets the disallowance; however it notes that, in effect, an unfunded mandate was placed on the District by the requirement to send notification according to Education Code yet reimbursement was limited by dated P's & G's.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

We agree that the district is required to comply with Education Code section 48260.5. However, mandate-related reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. We disagree that "an unfunded mandate was placed on the district." Pursuant to Government Code section 17550 et al, school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$26,999 for FY 2006-07. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Section 13202.7 of the Vehicle Code.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

For FY 2006-07, the district distributed initial truancy notifications that did not include the last item identified above. As a result, 1/8 (12.5%) of the unit cost allowance is unallowable for each notification. The following table summarizes the audit adjustment:

	<u>Fiscal Year 2006-07</u>
Number of noncompliant initial truancy notifications	13,374
Uniform cost allowance	× \$16.15
Subtotal	\$ 215,990
Unallowable percentage	× (12.5)%
Audit adjustment	<u>\$ (26,999)</u>

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

District's Response

- 1) The SCO's disallowance is based on language missing from the notification itself. Education Code 48260.5 (a-h) describes the necessary contents of the letter. There are eight components and the disallowed notifications do not contain the "eighth" component. Section 48260.5 (h) reads "That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day." The District acknowledges that the notifications were indeed missing that language. However, the District believes that in no way diminishes its right to reimbursement. The District was fully carrying out its primary responsibility under Education Code 48260 to notify parents/guardians of their son or daughter's classification as a "truant." Except for the inadvertent omission of 48260.5 (h) the District was in compliance with its responsibility to Education Code.
- 2) The Education Audit Appeals Panel (EAAP) allows findings to be appealed in cases where "substantial compliance" can be proved. Per EAAP, substantial compliance is defined as "...nearly complete satisfaction of all material requirements of a funding program that provide an educational benefit substantially consistent with the program's purpose. A minor or inadvertent noncompliance may be grounds for a finding of substantial compliance provided that the local educational agency can demonstrate it acted in good faith to comply with the conditions established in law or regulation." Unfortunately, mandated cost audits cannot be appealed to EAAP. If that were the case, the District is confident that this finding would be reversed in light of substantial compliance.

SCO's Comment

Subsequent to our final audit report issued April 15, 2009, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged. The district confirmed that its initial truancy notification letters did not include all items required by the parameters and guidelines.

The district believes that the Education Audits Appeals Panel (EAAP) would reverse the audit finding based on substantial compliance. The EAAP oversees audit appeals related to programs funded through the district's annual apportionment revenue. State-mandated programs are not funded through apportionment funds; therefore, the EAAP has no jurisdiction over this audit report. If the district disagrees with the audit finding, it may file an Incorrect Reduction Claim with the Commission on State Mandates pursuant to Government Code section 17551, subdivision (d).

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



March 20, 2009

Jim L. Spano, CPA
Chief, Mandated Cost Audits Bureau
Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Sacramento City Unified School District
Notification of Truancy Program
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2002/03 through 2006/07

This letter responds to the draft audit report issued by the State Controller's Office (SCO) with regard to costs claimed by Sacramento City Unified School District (District) for the legislatively mandated Notification of Truancy Program for the period of July 1, 2002 through June 30, 2007. The District extends its sincere gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1: Overstated, understated and unallowable initial truancy notifications claimed:

The District claimed costs for 62,027 initial truancy notifications sent for fiscal years 2002/03-2005/06. Of the 62,027 notifications claimed the SCO disallowed:

- 1) 4,475 notifications as a result of overstatement. The District regrets being unable to fully substantiate all notifications claimed. As this audit addresses activities/documentation that occurred seven years ago it is understandable that not all records still exist. A sizeable number of sites migrated to a new Student Information System (SIS) in 2002/03 and employee turnover at the District office and sites made recovery of all documentation requested by the SCO difficult. The District acknowledges the language regarding retaining mandated cost audit support documentation and is not disputing this finding. However, SCO language regarding support documentation does not align with guidance provided by the California Department of Education. Additionally, had the SCO undertaken this audit in a timely manner the possibility that all documentation could have been recovered would be greater.

ADMINISTRATIVE SUPPORT UNIT

5735 47th Avenue • Sacramento, CA 95824
P. O. Box 246870 • Sacramento, CA 95824-6870
(916) 643-9055 • FAX (916) 643-2190

Tom Barentson, *Deputy Superintendent/CFO*

- 2) 1,670 notifications related to charter schools. The SCO's position that charter schools are not eligible claimants was not known at the time these claims were filed and was only recently made known to mandated cost claimants. The SCO is applying a new position to a time period when the prohibition did not exist.
- 3) 823 notifications related to duplication. The District has no issue with this finding.

Finding 2: Non-reimbursable initial truancy notifications:

The SCO is disallowing 1,408 initial truancy notifications for students who "accumulated fewer than four unexcused absences or tardiness occurrences" for the fiscal years audited:

- 1) The basis of this finding rests on the discrepancy between the Parameters and Guidelines (P's & G's) and the Education Code. Since 1994, Education Code 48260.5 has required notification upon the third unexcused absence or tardy in excess of 30 minutes. The P's & G's however did not reflect this language and remained outdated until their recent amendment effective July 1, 2006. The District's responsibility is to comply with Education Code and its policy regarding truancy abatement is not directed by mandated costs. The District regrets the disallowance; however it notes that, in effect, an unfunded mandate was placed on the District by the requirement to send notification according to Education Code yet reimbursement was limited by dated P's & G's.

Finding 3: Non-compliant initial truancy notifications:

The District claimed costs for 13,374 initial truancy notifications sent for fiscal year 2006/07. Of the 13,374 notifications claimed the SCO has disallowed all notifications. A disallowance totaling \$215,990:

- 1) The SCO's disallowance is based on language missing from the notification itself. Education Code 48260.5 (a-h) describes the necessary contents of the letter. There are eight components and the disallowed notifications do not contain the "eighth" component. Section 48260.5 (h) reads "That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day." The District acknowledges that the notifications were indeed missing that language. However, the District believes that in no way diminishes its right to reimbursement. The District was fully carrying out its primary responsibility under Education Code 48260 to notify parents/guardians of their son or daughter's classification as a "truant." Except for the inadvertent omission of 48260.5 (h) the District was in compliance with its responsibility to Education Code.
- 2) The Education Audit Appeals Panel (EAAP) allows findings to be appealed in cases where "substantial compliance" can be proved. Per EAAP, substantial compliance is defined as "...nearly complete satisfaction of all material requirements of a funding program that provide an educational benefit substantially consistent with the program's purpose. A minor or inadvertent noncompliance may be grounds for a finding of substantial compliance provided that the local educational agency can demonstrate it acted in good faith to comply with the conditions established in law or regulation." Unfortunately, mandated cost audits cannot be appealed to EAAP. If that were the case, the District is confident that this finding would be reversed in light of substantial compliance.

Jim L. Spano
March 20, 2009
Page 3

In conclusion, the District once again thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,



Thomas S. Barentson
Deputy Superintendent/CFO

cc: Susan Miller, Interim Superintendent, SCUSD
Patty Hagemeyer, Chief Business Officer, SCUSD
Greg Purcell, Director Student and Family Support Services, SCUSD
Cheryal DeAnda, Child Welfare and Attendance Liaison, SCUSD
Karen Wiker, Auditor Analyst, SCUSD
Steve Van Zee, Audit Manager, SCO
Joyce Mendoza, Auditor, SCO
Joe Rombold, Director Compliance Resources, School Innovations & Advocacy

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

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

November 2005



STEVE WESTLY
California State Controller

November 30, 2005

Arturo Delgado, Ed.D., Superintendent
San Bernardino City Unified School District
777 North F Street
San Bernardino, CA 92410

Dear Dr. Delgado:

The State Controller's Office audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$877,640 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district did not provide documentation to support the claimed number of truancy letters distributed and it distributed initial truancy notifications forms that did not contain all specified elements required by the mandate. The State paid the district \$529,148, which the district should return.

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/ams

cc: Mohammad Z. Islam

Assistant Superintendent of Business Services
San Bernardino City Unified School District

Derek Harris

Accounting Supervisor
San Bernardino City Unified School District

Herbert R. Fischer, Ph.D.

San Bernardino County Superintendent of Schools

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	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was May 13, 2005.

The district claimed \$877,640 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district did not provide documentation to support the claimed number of truancy letters distributed and it distributed initial truancy notifications forms that did not contain all specified elements required by the mandate. The State paid the district \$529,148. The district should return the total amount to the State.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student will be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2000, 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* Section 17558.5. 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 San Bernardino City Unified School District claimed \$877,640 for costs of the Notification of Truancy Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$269,782. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount paid to the State.

For FY 2001-02, the State paid the district \$259,366. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that all of the costs claimed are unallowable.

**Views of
Responsible
Official**

We issued a draft audit report on September 9, 2005. We contacted Mohammad Islam, Assistant Superintendent, by telephone on September 29, 2005.

In response, Derek Harris, Accounting Supervisor, stated that the district understands the audit findings and has no records to dispute them. Mr. Harris advised the SCO to proceed with the final report.

Restricted Use

This report is solely for the information and use of the San Bernardino City Unified School District, the San Bernardino County Superintendent of Schools, 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, 2000, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	27,873	—	(27,873)	Findings 1, 2
Uniform cost allowable	× \$12.73	× \$12.73	× \$12.73	
Total program costs	<u>\$ 354,823</u>	—	<u>\$ (354,823)</u>	
Less amount paid by the State		<u>(269,782)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (269,782)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial truancy notifications	26,158	—	(26,158)	Findings 1, 2
Uniform cost allowable	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 337,700</u>	—	<u>\$ (337,700)</u>	
Less amount paid by the State		<u>(259,366)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (259,366)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	14,024	—	(14,024)	Findings 1, 2
Uniform cost allowable	× \$13.20	× \$13.20	× \$13.20	
Total program costs	<u>\$ 185,117</u>	—	<u>\$ (185,117)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Total program costs	<u>\$ 877,640</u>	\$ —	<u>\$ (877,640)</u>	
Less amount paid by the State		<u>(529,148)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (529,148)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overclaimed number
of initial truanancies**

The district claimed \$5,955 for fiscal year (FY) 2000-01 and FY 2001-02 for 463 truancy notification forms distributed to pupils’ parents or guardians that were not supported by attendance records. The overclaimed notifications are as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Number of truancy notifications supported by attendance records	27,747	25,821	53,568
Truancy notifications claimed	<u>(27,873)</u>	<u>(26,158)</u>	<u>(54,031)</u>
Unallowable truancy notifications	(126)	(337)	<u>(463)</u>
Uniform cost allowance	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (1,604)</u>	<u>\$ (4,351)</u>	<u>\$ (5,955)</u>

For FY 2002-03, the district claimed 14,024 truanancies; its records revealed 21,732 truanancies. As discussed in Finding 2, a statistical sample of truanancies for FY 2002-03 supported that all of the truanancies claimed are unallowable.

Recommendation

We recommend that the district establish policies and procedures to ensure that it claims only actual initial truancy notifications distributed to pupils’ parents or guardians.

**FINDING 2—
Unsupported
truanancies**

The district claimed \$871,685 during the audit period for initial truancy notifications that were not reimbursable. The district did not maintain records to substantiate the actual number of truancy notifications distributed to pupils’ parents or guardians. Instead, the district asserted that the claim was prepared based on the information available from the attendance accounting system. The district assumed that a notification of truancy was issued for every pupil identified as a truant in its attendance accounting system. The district’s attendance accounting system revealed 75,300 truanancies (27,747 for FY 2000-01, 25,821 for FY 2001-02, and 21,732 for FY 2002-03).

From the total population of initial truanancies identified in the attendance accounting system, we selected a statistical sample for each year based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. The district used a different attendance accounting method for elementary and middle/high schools. Thus, for each year, we selected two groups of samples: elementary and middle/high schools.

Our examination involved verifying copies of initial truancy notifications and/or documents that supported the distribution of the initial truancy notifications for the selected samples. The number of unsupported truancy notifications identified in the sample, the unallowable percentage, and the projected audit adjustments are summarized below.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Unallowable truanicies:				
Non-compliant notifications	23	48	54	125
Unsupported notifications	274	248	242	764
Total unallowable truanicies	297	296	296	889
Truant pupils sampled	÷ 297	÷ 296	÷ 296	
Unallowable percentage	100%	100%	100%	
Claimed number of truancy notifications supported by attendance records	× 27,747	× 25,821	× 14,024	67,592
Projected unallowable truancy notifications	27,747	25,821	14,024	
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Audit adjustment	\$ 353,219	\$ 333,349	\$ 185,117	\$ 871,685

For FY 2000-01, we selected and tested 297 truanicies, 148 for elementary schools and 149 for middle/high schools from a population of 27,747 truanicies (12,838 for elementary and 14,909 for middle/high schools). For FY 2001-02, we selected and tested 296 truanicies, 148 for elementary schools and 148 for middle/high schools from a population of 25,821 truanicies (11,661 for elementary and 14,160 for middle/high schools). For FY 2002-03, we selected and tested 296 truanicies, 148 for elementary schools and 148 for middle/high schools from a population of 21,732 truanicies (9,081 for elementary and 12,651 for middle/high schools).

Our tests revealed that the entire sample examined was unallowable. The district’s records substantiated 125 initial truancy notifications: 42 for elementary schools (12 for FY 2000-01, 13 for FY 2001-02, and 17 for FY 2002-03) and 83 for middle/high schools (11 for FY 2000-01, 35 for FY 2001-02, and 37 for FY 2002-03). However, the truancy notifications contained only two of the required five elements. The elements discussed in the letter included (1) the pupil’s truancy and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy. For the remainder of the sampled students, the district did not provide any records to substantiate the distribution of truancy notifications.

Parameters and Guidelines, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to pupils’ parents or guardians contain five specified elements. *Education Code* Section 48260.5 (amended by Chapter 1023, Statutes of 1994, effective January 1, 1995) requires three additional elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Parameters and Guidelines states that a truancy occurs when a student is absent from school without valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse for three full school days in one year or is tardy or absent for more than 30 minutes during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, the claimant will continue to be reimbursed for students having more than three unexcused absences.

Recommendation

We recommend that the district establish policies and procedures to ensure that it supports all claimed notification letters.

We also recommend that the district claim reimbursement under the Notification of Truancy Program only for truancy notifications applicable to pupils who are absent from school without valid excuse for more than three days, or are tardy in excess of 30 minutes on each of more than three days in one school year.

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

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2005, through June 30, 2009



JOHN CHIANG
California State Controller

December 2011



JOHN CHIANG
California State Controller

December 28, 2011

Barbara Flores, Ph.D., President
Board of Education
San Bernardino City Unified School District
777 North F Street
San Bernardino, CA 92410

Dear Dr. Flores:

The State Controller's Office audited the costs claimed by San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$111,508. Allowable costs claimed exceed the amount paid by \$1,141,486.

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/bf

cc: Yolanda M. Ortega, Interim Superintendent
San Bernardino City Unified School District
Mohammad Islam, Chief Business and Financial Officer, Business Services
San Bernardino City Unified School District
Derek Harris, Interim Director of Employee Benefits, Payroll, Worker's Compensation,
and Reimbursements, Business Services
San Bernardino City Unified School District
Lillian Vo, Interim Mandated Cost Specialist, Business Services
San Bernardino City Unified School District
Gary Thomas, Ed.D., Superintendent of Schools
San Bernardino County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	6
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$111,508. Allowable costs claimed exceed the amount paid by \$1,141,486.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 30, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. 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 Notification of Truancy Program for the period of July 1, 2005, through June 30, 2009.

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.

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, San Bernardino City Unified School District claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The State paid the district \$111,508. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,141,486, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on November 15, 2011. Mohammed Z. Islam, Chief Business and Financial Officer, responded by letter dated December 8, 2011 (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 San Bernardino City Unified 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

December 28, 2011

**Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	29,874	20,294	(9,580)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Subtotal	464,242	315,369	(148,873)	
Noncompliant initial truancy notifications	-	(3,494)	(3,494)	Finding 3
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	<u>\$ 454,242</u>	301,875	<u>\$ (152,367)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 301,875</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	8,950	29,088	20,138	Finding 1
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	144,543	469,771	325,228	
Less allowable costs that exceed costs claimed ²	-	(325,228)	(325,228)	
Total program costs	<u>\$ 144,543</u>	144,543	<u>\$ -</u>	
Less amount paid by the State		(8,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 136,128</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	26,366	23,208	(3,158)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 455,604</u>	401,034	<u>\$ (54,570)</u>	
Less amount paid by the State		(10)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 401,024</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	26,209	23,424	(2,785)	Finding 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	464,948	415,542	(49,406)	
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	<u>\$ 454,948</u>	405,542	<u>\$ (49,406)</u>	
Less amount paid by the State		(103,083)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 302,459</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2005, through June 30, 2009</u>				
Total costs	\$ 1,529,337	\$ 1,598,222	\$ 68,885	
Less late filing penalty	(20,000)	(20,000)	-	
Less allowable costs that exceed costs claimed ²	-	(325,228)	(325,228)	
Total program costs	<u>\$ 1,509,337</u>	1,252,994	<u>\$(256,343)</u>	
Less amount paid by the State		(111,508)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,141,486</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 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 2006-07.

Findings and Recommendations

FINDING 1— Overstated and understated allowable initial truancy notifications

The district overstated or understated the number of allowable initial truancy notifications distributed for each of its fiscal year (FY) 2005-06 through FY 2007-08 claims. For the audit period, the district understated claimed costs by \$246,066.

For each fiscal year, the district provided a summarized list of students for whom it distributed initial truancy notifications. For FY 2005-06, the district also provided copies of initial truancy notifications that were distributed by school sites not included on the summarized list.

For FY 2005-06 through FY 2007-08, the number of documented initial truancy notifications did not agree with the number of notifications claimed. The district claimed 29,874, 8,950, and 26,366 notifications for FY 2005-06, FY 2006-07, and FY 2007-08, respectively. However, the district documented 25,829, 31,533, and 27,435 notifications for those fiscal years, respectively.

In addition, the initial truancy notifications documented included unallowable notifications. We identified the following issues from the notifications documented:

- The notifications included multiple notifications (i.e., duplicate notifications) that the district distributed for the same student during the school year. A student's *initial* truancy notification is the only notification eligible for mandated program reimbursement.
- The FY 2005-06 and FY 2006-07 notifications included 76 identical notifications. The district distributed the notifications during FY 2006-07; therefore, the notifications are unallowable for FY 2005-06.
- The FY 2005-06 notifications included four notifications that the district distributed in FY 2004-05.
- The FY 2005-06 notifications included three notifications that the district distributed during FY 2006-07. We reclassified these notifications from FY 2005-06 to FY 2006-07.

The following table details the audit adjustment:

	Fiscal Year			Total
	2005-06	2006-07	2007-08	
Number of notifications documented	25,829	31,533	27,435	
Less number of notifications claimed	(29,874)	(8,950)	(26,366)	
Overstated/understated number of notifications	(4,045)	22,583	1,069	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (62,859)	\$ 364,715	\$ 18,473	\$ 320,329
Duplicate notifications	(1,005)	(2,448)	(1,034)	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (15,618)	\$ (39,535)	\$ (17,868)	(73,021)
Number of notifications distributed in both FY 2005-06 and FY 2006-07	(76)	-	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (1,181)	\$ -	\$ -	(1,181)
Number of notifications distributed in FY 2004-05	(4)	-	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (62)	\$ -	\$ -	(62)
Number of FY 2006-07 notifications incorrectly included in FY 2005-06	(3)	3	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (47)	\$ 48	\$ -	1
Total audit adjustment ¹	\$ (79,767)	\$ 325,228	\$ 605	\$ 246,066

¹ Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year. We recommend that the district exclude from this count duplicate notifications that it distributes for the same student.

District’s Response

The district concurred with the audit finding. The district had the following comment:

During the audit period, the District was transitioning between two different attendance systems, SB2000 and Aeries. This transition caused some students, who transferred to other sites within the District, who remained truant, to have more than one (1) truancy letter claimed for reimbursement. . . . This issue has been addressed.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$173,687. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting.

The following table summarizes the notifications sampled, adjusted for the unallowable notifications identified in Finding 1 and noncompliant notifications identified in Finding 3:

	Fiscal Year		
	2005-06	2007-08	2008-09
Daily attendance accounting:			
Documented notifications	9,503	10,237	11,290
Unallowable notifications (Finding 1):			
Duplicate notifications	(273)	(256)	—
Number of notifications distributed in both FY 2005-06 and FY 2006-07	(76)	—	—
Number of notifications distributed in FY 2004-05	(4)	—	—
Number of FY 2006-07 notifications incorrectly included in FY 2005-06	(3)	—	—
Noncompliant notifications (Finding 3)	(281)	—	—
Total notifications sampled, daily attendance accounting	<u>8,866</u>	<u>9,981</u>	<u>11,290</u>
Period attendance accounting:			
Documented notifications	16,326	17,198	14,919
Duplicate notifications (Finding 1)	(732)	(778)	—
Total notifications sampled, period attendance accounting	<u>15,594</u>	<u>16,420</u>	<u>14,919</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group. We did not select samples for FY 2006-07 because the district significantly understated total initial truancy notifications for that fiscal year (see Finding 1).

The district claimed initial truancy notifications that were non-reimbursable for the following reasons:

- For FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2007-08 and FY 2008-09, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical sample:

	Fiscal Year		
	2005-06	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Three total (FY 2005-06 only)	(15)	-	-
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(14)	-	-
Fewer than three while between ages 6 and 18 (FY 2007-08 and FY 2008-09 only)	-	(21)	(14)
Fewer than three total	<u>(33)</u>	<u>(10)</u>	<u>(12)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(62)</u>	<u>(31)</u>	<u>(26)</u>
Period attendance accounting:			
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(6)	-	-
Fewer than three while between ages 6 and 18 (FY 2007-08 and FY 2008-09 only)	-	(4)	(7)
Fewer than three total	<u>(1)</u>	<u>(6)</u>	<u>(1)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>	<u>(10)</u>	<u>(8)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2005-06	2007-08	2008-09	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(62)	(31)	(26)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(41.89)%	(20.95)%	(17.57)%	
Population sampled	× 8,866	× 9,981	× 11,290	
Extrapolated number of unallowable initial truancy notifications	(3,714)	(2,091)	(1,984)	
Uniform cost allowance	× \$15.54	× \$17.28	× \$17.74	
Unallowable costs, daily attendance accounting	\$ (57,716)	\$ (36,132)	\$ (35,196)	\$(129,044)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(7)	(10)	(8)	
Statistical sample size	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(4.70)%	(6.71)%	(5.37)%	
Population sampled	× 15,594	× 16,420	× 14,919	
Extrapolated number of unallowable initial truancy notifications	(733)	(1,102)	(801)	
Uniform cost allowance	\$15.54	\$17.28	\$17.74	
Unallowable costs, period attendance accounting	\$ (11,390)	\$ (19,043)	\$ (14,210)	\$ (44,643)
Audit adjustment ¹	\$ (69,106)	\$ (55,175)	\$ (49,406)	\$(173,687)

¹ Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006. Therefore, a FY 2005-06 initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

The district concurred with the audit finding. The district had the following comment:

. . . Education Code 48260 was in conflict with commission guidelines on the minimum number of unexcused absences a student could have before they are reclassified as truant. . . . This conflict was resolved during the audit period, setting the minimum number of unexcused absences at three (3). Some of the District's sites continued to follow outdated guidelines, which caused over/under claiming. This issue has been addressed.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 3— Noncompliant initial truancy notifications

The district claimed unallowable costs totaling \$3,494 for FY 2005-06. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

For FY 2005-06, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following five items:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. That alternative educational programs are available in the district.
5. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

The district distributed notifications that included just one of the five required items. Therefore, we allowed only 20% of the unit cost allowance for each notification.

The following table summarizes the audit adjustment:

	Fiscal Year 2005-06
Number of noncompliant initial truancy notifications	281
Uniform cost allowance	× \$15.54
Subtotal	\$ 4,367
Allowable percentage	× 20%
Allowable costs	873
Less claimed costs	(4,367)
Audit adjustment	\$ (3,494)

Recommendation

We recommend that the district ensure that all initial truancy notifications comply with the minimum requirements specified in the parameters and guidelines.

District's Response

The district concurred with all audit findings, but did not provide any comments specific to this finding.

SCO's Comment

The finding and recommendation remain unchanged.

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



Mohammad Z. Islam, Chief Business and Financial Officer

December 8, 2011

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

RE: Notification of Truancy Program - July 1, 2005, through June 30, 2009

Dear Mr. Spano:

This is in response to the Draft Audit Report, dated November 15, 2011, for the Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), prepared by the State Controller's Office (SCO). The audit period was from July 1, 2005, through June 30, 2009. The San Bernardino City Unified School District (District) claimed \$1,509,337 in reimbursements for expenditures related to the Notification of Truancy Program, of which \$1,252,994 is allowable and \$256,343 was found to be unallowable.

During the audit period, the District was transitioning between two different attendance systems, SB2000 and Aeries. This transition caused some students, who transferred to other sites within the District, who remained truant, to have more than one (1) truancy letter claimed for reimbursement. Under the mandate, only one (1) initial truancy letter can be claimed, per student, per school year. This issue has been addressed.

Furthermore, Education Code 48260 was in conflict with commission guidelines on the minimum number of unexcused absences a student could have before they are reclassified as a truant (Education Code set the minimum number of unexcused absences at three (3) days and the commission guidelines, at 4 days). This conflict was resolved during the audit period, setting the minimum number of unexcused absences at three (3). Some of the District's sites continued to follow outdated guidelines, which caused over/under claiming. This issue has been addressed.

I have reviewed the entire Draft Audit Report and I concur with the findings. If you have any questions, please feel free to contact me at (909) 381-1164.

Sincerely,


Mohammad Z. Islam
Chief Business and Financial Officer

BUSINESS SERVICES DIVISION

777 North F Street • San Bernardino, CA 92410 • (909) 381-1164 • Fax (909) 383-1375
mohammad.islam@sbcusd.com

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

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

SAN DIEGO UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2008, through June 30, 2011



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 16, 2015

Marne Foster, President
Board of Education
San Diego Unified School District
4100 Normal Street
San Diego, CA 92103

Dear Ms. Foster:

The State Controller's Office audited the costs claimed by the San Diego Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), for the period of July 1, 2008, through June 30, 2011.

The district claimed \$1,305,721 for the mandated program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$184,222. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

cc: Cindy Marten, Superintendent of Public Education
San Diego Unified School District
Jenny Salkeld, Chief Financial Officer
San Diego Unified School District
Debbie Foster, Executive Director
Financial Planning and Development
San Diego Unified School District
Jodie Macalos, Controller
San Diego Unified School District
Cristen Owens, Director
Budget Development
San Diego Unified School District
Lora Duzyk, Assistant Superintendent
Business Services
San Diego County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Diego Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), for the period of July 1, 2008, through June 30, 2011.

The district claimed \$1,305,721 for the mandated program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$184,222. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the San Diego Unified School District claimed \$1,305,721 for costs of the Notification of Truancy Program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable.

The State paid the district \$184,222. Our audit found that \$1,198,432 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on May 20, 2015. Cristen Owens, Director of Budget Development, and David Hogue, Budget Specialist, agreed with the audit results. Ms. Owens declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the San Diego Unified 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, CPA
Chief, Division of Audits

June 16, 2015

**Schedule—
Summary of Program Costs
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	24,081	22,407	(1,674)	Findings 1,2
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Total program costs	<u>\$ 427,197</u>	397,500	<u>\$ (29,697)</u>	
Less amount paid by the State		<u>(96,796)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 300,704</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	24,908	23,006	(1,902)	Findings 1,2
Uniform cost allowance	x \$17.87	x \$17.87	x \$17.87	
Total program costs	<u>\$ 445,106</u>	411,117	<u>\$ (33,989)</u>	
Less amount paid by the State		<u>(87,426)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 323,691</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	23,697	21,313	(2,384)	Findings 1,2
Uniform cost allowance	x \$18.29	x \$18.29	x \$18.29	
Total program costs	<u>\$ 433,418</u>	389,815	<u>\$ (43,603)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 389,815</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 1,305,721</u>	\$ 1,198,432	<u>\$ (107,289)</u>	
Less amount paid by the State		<u>(184,222)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,014,210</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable initial truancy notifications

The district claimed unallowable initial truancy notifications during the audit period. The unallowable costs total \$68,795. The costs are unallowable because the district claimed costs for distributing initial truancy notifications to students' parents or guardians that are not reimbursable under the mandated program, as follows:

- The district distributed 761 initial truancy notifications for students who attended charter schools. However, charter schools are not eligible for reimbursement of state-mandated costs.
- The district distributed 48 initial truancy notifications for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The district distributed 1,666 duplicate initial truancy notifications during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.
- The district distributed initial truancy notifications for 26 high school diploma program (HSDP) students, 114 special education students, and 18 non-public/private school students. However, HSDP does not warrant a first notification of truancy letter. Special education and non-public/private school students are not subject to regular attendance.
- The district distributed 44 initial truancy notifications distributed for students that were under the age of six and 1,146 distributed for students over the age of 18. Education Code section 48200 states that children between the ages of six and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of charter school initial truancy notifications	(122)	(273)	(366)	(761)
Number of independent study initial truancy notifications	(17)	(16)	(15)	(48)
Duplicate truancy notifications	(11)	(665)	(990)	(1,666)
High school diploma program initial truancy notifications	(10)	(10)	(6)	(26)
Special education initial truancy notifications	(76)	(22)	(16)	(114)
Non-public school initial truancy notifications	-	(7)	(10)	(17)
Private school initial truancy notifications	-	-	(1)	(1)
Students under the age of 6 initial truancy notifications	(11)	(11)	(22)	(44)
Students over the age of 18 initial truancy notifications	(975)	(79)	(92)	(1,146)
Total unallowable initial truancy notifications	(1,222)	(1,083)	(1,518)	(3,823)
Uniform cost allowance	x \$17.74	x \$17.87	x 18.29	
Audit adjustment	\$ (21,678)	\$ (19,353)	\$ (27,764)	\$ (68,795)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

Education Code section 48260, subdivision (a) states:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [*sic*] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant . . .

Education Code section 48200 states:

Each person between the ages of 6 and 18 years not exempted under the provisions of this chapter or Chapter 3 (commencing with Section 48400) is subject to compulsory full-time education.

Recommendation

Commencing in fiscal year (FY) 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district exclude notifications distributed for charter school students, non-public/private school students, high school diploma program (HSDP) students, independent study students, and students not subject to compulsory full-time education, as well as duplicate notifications from the total number of notifications claimed for mandated program reimbursement.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$38,494. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district claimed initial truancy notifications distributed for students who were either under the age of six or over the age of 18 when the absences occurred. Under California law, only students between the ages of six and 18 are subject to compulsory school attendance. The district also claimed initial truancy notifications that it distributed for charter school students. Charter schools are not eligible for reimbursement of state-mandated costs.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded the unallowable initial truancy notifications identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2008-09	2009-10	2010-11
Total notifications sampled, daily attendance accounting	7,641	8,036	7,224
Total notifications sampled, period attendance accounting	14,928	15,097	14,332

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of six and 18.
- Unallowable notifications distributed to charter school students were not eliminated from the student population used to select our sample.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical samples:

	Fiscal Year		
	2008-09	2009-10	2010-11
Non-reimbursable initial truancy notifications:			
Daily attendance accounting:			
Fewer than three while between ages six and 18	(1)	(2)	-
Period attendance accounting:			
Fewer than three while between ages six and 18	-	(7)	(9)
Unallowable charter school students	(4)	-	-
Non-reimbursable initial truancy notifications, period attendance accounting	(4)	(7)	(9)

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(1)	(2)	-	
Statistical sample size	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(0.68)%	(1.36)%	0.00%	
Population sampled	x 7,641	x 8,036	x 7,224	
Extrapolated number of unallowable initial truancy notifications	(52)	(109)	-	
Uniform cost allowance	x \$17.74	x \$17.87	x \$18.29	
Audit adjustment, daily attendance accounting (C) ¹	\$ (923)	\$ (1,948)	\$ -	\$ (2,871)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(4)	(7)	(9)	
Statistical sample size	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(2.68)%	(4.70)%	(6.04)%	
Population sampled	x 14,928	x 15,097	x 14,332	
Extrapolated number of unallowable initial truancy notifications	(400)	(710)	(866)	
Uniform cost allowance	x \$17.74	x \$17.87	x \$18.29	
Audit adjustment, period attendance accounting (D)	\$ (7,096)	\$ (12,688)	\$ (15,839)	(35,623)
Total audit adjustment ((C) + (D))	\$ (8,019)	\$ (14,636)	\$ (15,839)	\$ (38,494)

¹ Calculation differences due to rounding

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of six and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's sixth birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines.

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

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

SAN JOSE UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023,
Statutes of 1994; Chapter 19, Statutes of 1995;
and Chapter 69, Statutes of 2007

July 1, 2009, through June 30, 2012



BETTY T. YEE
California State Controller

April 2015



BETTY T. YEE
California State Controller

April 20, 2015

Sandra Engel, President
Board of Education
San Jose Unified School District
855 Lensen Avenue
San Jose, CA 95131

Dear Ms. Engel:

The State Controller's Office audited the costs claimed by the San Jose Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$410,666 for the mandated program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$31,270. Allowable costs claimed exceed the amount paid by \$368,960.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 Commission's website at www.csm.ca.gov/docs/IRCFrm.pdf.

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, CPA
Chief, Division of Audits

JVB/mh

cc: Vincent Matthews, Superintendent
San Jose Unified School District
Stephen McMahon, Chief Business Officer
San Jose Unified School District
Lorena Jung, Mandated Cost Analyst & LEA Program Coordinator
San Jose Unified School District
Florence Eng, Director
Internal Audits
San Jose Unified School District
Micaela Ochoa, Chief Business Officer
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State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Jose Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$410,666 for the mandated program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$31,270. Allowable costs claimed exceed the amount paid by \$368,960.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994 amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts, reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandated and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO

issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2009, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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 San Jose Unified School District claimed \$410,666 for costs of the Notification of Truancy Program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable.

The State paid the district \$31,270. Our audit found that \$400,230 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$368,960, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on January 16, 2015. Vincent Matthews, Ed.D, Superintendent, responded by letter dated January 26, 2015 (Attachment), agreeing with the audit results except for Finding 2. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the San Jose Unified School District, the Santa Clara 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, CPA
Chief, Division of Audits

April 20, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2009, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	8,909	8,325	(584)	Findings 1, 2
Uniform cost allowance	× <u>\$17.87</u>	× <u>\$17.87</u>	× <u>\$17.87</u>	
Total program costs	<u>\$ 159,204</u>	148,768	<u>\$ (10,436)</u>	
Less amount paid by the State		<u>(31,270)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 117,498</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	3,696	4,111	415	Findings 1, 2
Uniform cost allowance	× <u>\$18.29</u>	× <u>\$18.29</u>	× <u>\$18.29</u>	
Subtotal ²	67,600	75,190	7,590	
Less allowable costs that exceed costs claimed ³	<u>—</u>	<u>(7,590)</u>	<u>(7,590)</u>	
Total program costs	<u>\$ 67,600</u>	67,600	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,600</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	9,723	9,723	—	
Uniform cost allowance	× <u>\$18.91</u>	× <u>\$18.91</u>	<u>—</u>	
Total program costs	<u>\$ 183,862</u>	183,862	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 183,862</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total costs	\$ 410,666	\$ 407,820	\$ (2,846)	
Less allowable costs that exceed costs claimed ³	<u>—</u>	<u>(7,590)</u>	<u>(7,590)</u>	
Total program costs	<u>\$ 410,666</u>	400,230	<u>\$ (10,436)</u>	
Less amount paid by the State		<u>(31,270)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 368,960</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

³ Government Code section 17568 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 2010-11.

Findings and Recommendations

FINDING 1— Understated and unallowable initial truancy notifications claimed

The district understated its claimed costs by the net amount of \$6,682 for the audit period (understated by \$13,269 and overstated by \$6,587). Costs were understated because the district understated the total number of initial truancy notifications distributed for each year of the audit period. Costs were overstated because the district claimed costs for unallowable initial truancy notifications.

The district provided a list taken from its attendance accounting systems of students for whom the district distributed initial truancy notifications. The number of notifications documented exceeded the number of initial truancy notifications claimed (1 for FY 2009-10, 524 for FY 2010-11, and 194 for FY 2011-12).

The district's list of truancy notifications also contained notifications that were unallowable for the following reasons:

- Initial truancy notifications distributed for students who appeared two or more times in the district's attendance records (duplicate notifications). A student's initial truancy notification is the only notification eligible for mandated program reimbursement.
- Initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- Initial truancy notifications distributed for students who were involved in independent study programs. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the overclaimed and underclaimed number of initial truancy notifications and resulting audit adjustments:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
Number of notifications documented	8,910	4,220	9,917	
Less number of notifications claimed	<u>(8,909)</u>	<u>(3,696)</u>	<u>(9,723)</u>	
Documented notifications exceeding notifications claimed	1	524	194	
Less: Duplicate notifications	(6)	-	(14)	
Less: Notifications for charter school students	(107)	-	(114)	
Less: Notifications for independent study students	<u>(112)</u>	<u>(8)</u>	<u>-</u>	
(Overstated)/understated number of notifications	<u>(224)</u>	<u>516</u>	<u>66</u>	
Uniform cost allowance	× <u>\$17.87</u>	× <u>\$18.29</u>	× <u>\$18.91</u>	
Audit adjustment ¹	<u>\$ (4,003)</u>	<u>\$ 9,437</u>	<u>\$ 1,248</u>	<u>\$ 6,682</u>

¹ Calculation differences due to rounding.

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any duplicate notifications, and notifications that it distributes to charter school and independent study students.

District's Response

The draft audit report increased the number of claimable notifications, which becomes the audit universe for the statistical sampling later, by 358 which increases the claimed amount by a *net* amount of \$6,683. The total number of notifications claimed was adjusted for four reasons:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Number of notices per audit	8,910	4,220	9,917	23,047
Number of notices claimed	<u>8,909</u>	<u>3,696</u>	<u>9,723</u>	<u>22,328</u>
Adjustments:				
A. Documented notices	1	524	194	719
B. Duplicate notices	<6>	0	<14>	<20>
C. Charter school students	<107>	0	<114>	<221>
D. Independent study students	<112>	<8>	<0>	<120>
Total Adjustments to universe	<224>	516	66	358
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	<\$4,003>	\$9,438	\$1,248	\$6,683

A. Number of documented notifications

The draft audit report identifies an additional 719 notifications that were supported by District documentation. The District concurs with this adjustment.

B. Duplicate notifications

The draft audit report disallows 20 duplicate notifications that were generated by the District attendance accounting system. The District concurs with this adjustment.

C. Charter school students

The draft audit report disallows 221 notifications that were generated by the District attendance accounting system for the dependent charter school. Attendance accounting is an administrative service provided by the District to the charter school. However, the District concurs that charter school students are not included within the reimbursable scope of the mandate.

D. Independent study students

The draft audit report disallows 120 notifications that were generated by the District attendance accounting system for independent study school sites. Based on recent audit results for this and other districts, this District is now on notice that while independent study students are included in the attendance accounting system by law, they are not included within the reimbursable scope of the mandate. The District concurs with this adjustment.

SCO’s Comment

The district concurred with this adjustment.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$16,449. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences during the school year to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting systems. We excluded notifications for the duplicate notifications, charter school students, and independent study students identified in Finding 1 above from the sample population.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2009-10	2010-11	2011-12
Number of unexcused absences and tardiness occurrences accumulated during the school year, fewer than three total for:			
Daily attendance accounting:	(6)	(2)	(5)
Period attendance accounting:	(6)	(4)	(7)
Non-reimbursable initial truancy notifications	<u>(12)</u>	<u>(6)</u>	<u>(12)</u>

The following table summarizes the audit adjustment based on the non-reimbursable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
<u>Daily attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(6)	(2)	(5)	
Statistical sample size	÷ 143	÷ 135	÷ 142	
Unallowable percentage	(4.20)%	(1.48)%	(3.52)%	
Population sampled	× 2,881	× 1,331	× 2,774	
Extrapolated number of unallowable initial truancy notifications	(121)	(20)	(98)	
Uniform cost allowance	× \$17.87	× \$18.29	× \$18.91	
Audit adjustment, daily attendance accounting (A)	\$ (2,162)	\$ (366)	\$ (1,853)	\$ (4,381)
<u>Period attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(6)	(4)	(7)	
Statistical sample size	÷ 146	÷ 143	÷ 147	
Unallowable Percentage	(4.11)%	(2.80)%	(4.76)%	
Population sampled	× 5,804	× 2,881	× 7,015	
Extrapolated number of unallowable initial truancy notifications	(239)	(81)	(334)	
Uniform cost allowance	× \$17.87	× \$18.29	× \$18.91	
Audit adjustment, period attendance accounting (B)	\$ (4,271)	\$ (1,481)	\$ (6,316)	(12,068)
Total audit adjustment ((A) + (B))	\$ (6,433)	\$ (1,847)	\$ (8,169)	\$ (16,449)

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is truant.

The parameters and guidelines (section 1 – Background Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

District's Response

As a result of the statistical sample extrapolation, the draft audit report reduces the number of claimable notifications by 893 which decreases the claimed amount by \$16,449. The District does not agree with the statistical method and extrapolation used by the audit.

<u>REASON FOR DISALLOWANCE</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Net Universe for extrapolation	8,685	4,212	9,789	22,686
<u>Daily attendance method</u>				
Less than 3 Absences	6	2	5	13
Sample Size	143	135	142	420
Percentage Disallowance	4.20%	1.48%	3.52%	
Sample Universe	2,881	1,331	2,774	6,986
Extrapolated disallowances	121	20	98	239
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$2,162	\$366	\$1,853	\$4,381
<u>Period attendance method</u>				
Less than 3 Absences	6	4	7	17
Sample Size	146	143	147	436
Percentage Disallowance	4.11%	2.80%	4.76%	
Sample Universe	5,804	2,881	7,015	15,700
Extrapolated disallowances	239	81	334	654
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$4,271	\$1,481	\$6,316	\$12,068
TOTAL ADJUSTMENT	<\$6,433>	<\$1,847>	<\$8,169>	<\$16,449>

These 893 disallowed notifications (239 + 654) are based on the extrapolation of 30 (13 + 17) notifications disallowed for an insufficient number of absences, that is, less than the three required by the Education Code, to generate the notification. The District believes that these 30 notifications were properly generated by the attendance accounting system, but later some of the required of absences may have been "cleared" (reversed) based on subsequent information. The District concurs that the 30 notifications should be disallowed.

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. Annual sample sizes of 135 to 147 notifications were selected each for both elementary and secondary schools, for a total of 856 notifications for the three years. Based on the claimed number of notifications for the three years (22,686), it appears the sample size is about 4.0%. The results from this limited review were extrapolated to the sample universe and the claims were adjusted based on the extrapolation. The draft audit report has cited no statutory or regulatory

authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review. This issue is the subject of appeals pending decision by the Commission on State Mandates.

Limitation of allowed costs

For FY 2010-11, the audited findings resulted in a net increase in program costs of \$7,591: a \$9,438 increase from Finding 1, and a \$1,847 decrease from Finding 2. The District asserts that the auditor's decision not to increase the reimbursable mandate costs beyond those which were claimed results in an underpayment of reimbursable amounts. The stated basis for this limitation on allowable costs is Government Code Section 17568, cited in footnote 2 on page 4 of the draft audit report. The footnote states "that the State will not reimburse any claim more than one year after the filing deadline." Section 17568 pertains to the timely filing of an annual claim not to the amount or nature of audited reimbursable costs:

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount that would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed ten thousand dollars (\$10,000). In no case shall a reimbursement claim be paid that is submitted more than one year after the deadline specified in Section 17560.

Section 17568 does not limit the allowable amount of the annual claim, it only penalizes late claims. The District's annual claims were filed on time.

There is no Government Code section cited that prohibits the Controller from reimbursement of audited costs in excess of claimed costs. Government Code Section 17561(d)(2) (C) states: "The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years." The use of the word "shall" makes the adjustment of both underpayments and overpayments mandatory. Thus, auditors do not have the discretion to unilaterally determine that they will deny reimbursement for audit adjustments in favor of the State and simply ignore audit adjustments in favor of the claimants. The Controller, therefore, has the obligation to pay claimants any unclaimed allowable mandate cost discovered as the result of an audit. The \$7,591 should be reinstated for payment.

SCO's Comments

The finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states in its response that "The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only

mandated cost audit standard in Government Code Section 17561, subdivision (d)(2).” We disagree.

Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* [emphasis added] mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district’s records to verify *actual* [emphasis added] mandate-related costs. Further, Government Code section 12410 states, “The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

In any case, the SCO did conclude that the district’s claims were excessive. Excessive is defined as “Exceeding what is usual, *proper*, *necessary*, [emphasis added], or normal.”¹ The district filed claims for initial truancy notifications that are not reimbursable under the mandated program. Therefore, the costs claimed are excessive.

The district states that we cited no statutory or regulatory authority to “reduce claimed reimbursement based on an extrapolation of a statistical sample.” As the district previously indicated, Government Code section 17561, subdivision (d)(2) allows the SCO to reduce any claim that it determines is excessive or unreasonable. We used statistical sampling properly in our audit to reach such a determination.

We conducted our audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, December 2011). Government Auditing Standards, section 1.04, states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

Regarding allowable costs in excess of claimed costs, the District states, “Government Code section 17568 does not limit the allowable amount of the annual claim, it only penalized late claims.” However, section 17568 states, “In no case shall a reimbursement claim be paid that is submitted more than one year after the deadline specified in Section 17560.” We believe that this section establishes an upper limit as to the amount a claimant can be reimbursed. The fact that the district has incurred a cost mandated by the State is not sufficient in itself for an entitlement to reimbursement. It is the filing of a claim, within the allotted time frames, detailing the costs actually incurred, that entitles the district to reimbursement.

Government Code section 17561, subdivision (d)(2)(B) gives the Controller authority only to reduce claims, not increase or adjust them. In addition, Government Code section 17561, subdivision (d)(2)(C) states,

¹ Merriam-Webster’s Collegiate Dictionary, Tenth Edition, 2001

“The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years.” We believe this provision is intended to direct the Controller to adjust the payment owing to the claimant (up to the amount claimed during the statutory period) in consideration of previous payments made to the claimant. For underpayment, this relates to unpaid or underpaid amounts based on allowable costs claimed. For overpayment, this relates to overpaid amounts that occurred when audit adjustments exceeded the amounts previously paid on the claim.

Further, Article XVI, section 6, of the California Constitution prohibits the making of a gift of public funds. We believe that allowing costs not claimed within the time period to file an annual or amended claim would constitute a gift of public funds and, therefore, should be neither allowable nor reimbursable.

**OTHER ISSUE—
Public records
request**

The district’s response included a public records request.

District’s Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO’s Comment

The SCO will respond separately to the district’s request.

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



San Jose Unified
School District

Vincent Matthews, Ed.D.
Superintendent

"Inspiring and Preparing for Success"

January 26, 2015

Mr. Jim L. Spano, Chief
Mandated Costs Audits Bureau
Division of Audits
California State Controller
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Notification of Truancy Audit
Chapter 498, Statutes of 1983
Fiscal Years: 2009-10, 2010-11, and 2011-12
San Jose Unified School District

Dear Mr. Spano:

This letter is the response of the San Jose Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated January 16, 2015, that transmitted the draft audit report of the District's Notification of Truancy mandate annual reimbursement claims for the period of July 1, 2009 through June 30, 2012.

The District claimed \$410,666 for the three fiscal years that are the subject of this audit. The draft audit report concludes that \$10,436 is not allowable for the audit period, which is a reduction of about 2.5%. However, the findings involve legal issues that are the subject of several incorrect reduction claims still pending hearing by the Commission on State Mandates and cannot be resolved for this audit without the findings from the Commission. Therefore, the District will be filing an incorrect reduction from this audit to preserve its rights.

FINDING 1: Understated and unallowable initial truancy notifications claimed

The draft audit report increased the number of claimable notifications, which becomes the audit universe for the statistical sampling later, by 358 which increases the claimed amount by a *net* amount of \$6,683. The total number of notifications claimed was adjusted for four reasons:



	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Number of notices per audit	8,910	4,220	9,917	23,047
Number of notices claimed	<u>8,909</u>	<u>3,696</u>	<u>9,723</u>	<u>22,328</u>
Adjustments:				
A. Documented notices	1	524	194	719
B. Duplicate notices	<6>	0	<14>	<20>
C. Charter school students	<107>	0	<114>	<221>
D. Independent study students	<u><112></u>	<u><8></u>	<u><0></u>	<u><120></u>
Total Adjustments to universe	<u><224></u>	516	66	358
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	<\$4,003>	\$9,438	\$1,248	\$6,683

A. Number of documented notifications

The draft audit report identifies an additional 719 notifications that were supported by District documentation. The District concurs with this adjustment.

B. Duplicate notifications

The draft audit report disallows 20 duplicate notifications that were generated by the District attendance accounting system. The District concurs with this adjustment.

C. Charter school students

The draft audit report disallows 221 notifications that were generated by the District attendance accounting system for the dependent charter school. Attendance accounting is an administrative service provided by the District to the charter school. However, the District concurs that charter school students are not included within the reimbursable scope of the mandate.

D. Independent study students

The draft audit report disallows 120 notifications that were generated by the District attendance accounting system for independent study school sites. Based on recent audit results for this and other districts, this District is now on notice that while independent study

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students are included in the attendance accounting system by law, they are not included within the reimbursable scope of the mandate. The District concurs with this adjustment.

FINDING 2: Non-reimbursable initial truancy notifications

As a result of the statistical sample extrapolation, the draft audit report reduces the number of claimable notifications by 893 which decreases the claimed amount by \$16,449. The District does not agree with the statistical method and extrapolation used by the audit.

<u>REASON FOR DISALLOWANCE</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
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These 893 disallowed notifications (239 + 654) are based on the extrapolation of 30 (13 + 17) notifications disallowed for an insufficient number of absences, that is, less than the three required by the Education Code, to generate the notification. The District believes that these 30 notifications were properly generated by the attendance accounting system, but later

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some of the required of absences may have been "cleared" (reversed) based on subsequent information. The District concurs that the 30 notifications should be disallowed.

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three years (22,686), it appears the sample size is about 4.0%. The results from this limited review were extrapolated to the sample universe and the claims were adjusted based on the extrapolation. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review. This issue is the subject of appeals pending decision by the Commission on State Mandates.

Limitation of allowed costs

For FY 2010-11, the audited findings resulted in a net increase in program costs of \$7,591: a \$9,438 increase from Finding 1, and a \$1,847 decrease from Finding 2. The District asserts that the auditor's decision not to increase the reimbursable mandate costs beyond those which were claimed results in an underpayment of reimbursable amounts. The stated basis for this limitation on allowable costs is Government Code Section 17568, cited in footnote 2 on page 4 of the draft audit report. The footnote states "that the State will not reimburse any claim more than one year after the filing deadline." Section 17568 pertains to the timely filing of an annual claim not to the amount or nature of audited reimbursable costs:

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Section 17568 does not limit the allowable amount of the annual claim, it only penalizes late claims. The District's annual claims were filed on time.

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San Jose Unified
School District

Vincent Matthews, Ed.D.
Superintendent

"Inspiring and Preparing for Success"

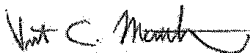
There is no Government Code section cited that prohibits the Controller from reimbursement of audited costs in excess of claimed costs. Government Code Section 17561(d)(2) (C) states: "The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years." The use of the word "shall" makes the adjustment of *both* underpayments and overpayments mandatory. Thus, auditors do not have the discretion to unilaterally determine that they will deny reimbursement for audit adjustments in favor of the State and simply ignore audit adjustments in favor of the claimants. The Controller, therefore, has the obligation to pay claimants any unclaimed allowable mandate cost discovered as the result of an audit. The \$7,591 should be reinstated for payment.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,


Vincent C. Matthews, Ed.D.,
Superintendent of Schools

Board of Education

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

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

SAN JUAN UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2006, through June 30, 2010



JOHN CHIANG
California State Controller

November 2011



JOHN CHIANG
California State Controller

November 30, 2011

Lucinda Luttgen, President
Board of Education
San Juan Unified School District
3738 Walnut Avenue
Carmichael, CA 95608-0477

Dear Ms. Luttgen:

The State Controller's Office audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

If you disagree with the audit finding, 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/vb

cc: Glynn Thompson, Interim Superintendent
San Juan Unified School District
Kent Stephens, Chief Financial Officer
San Juan Unified School District
Fil Duldulao, Director of Accounting Services
San Juan Unified School District
David W. Gordon, Superintendent of Schools
Sacramento County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

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 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 San Juan Unified School District claimed \$1,192,046 for costs of the Notification of Truancy Program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 25, 2011. Kent Stephens, Chief Financial Officer, responded by letter dated November 2, 2011 (Attachment), disagreeing 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 the San Juan Unified School District, the Sacramento 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

November 30, 2011

**Schedule 1—
Summary of Program Costs
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Number of initial truancy notifications	18,020	15,927	(2,093)
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15
Total program costs ²	<u>\$ 291,023</u>	257,221	<u>\$ (33,802)</u>
Less amount paid by the State		(54,550)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,671</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,534	16,177	(1,357)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs ²	<u>\$ 302,988</u>	279,539	<u>\$ (23,449)</u>
Less amount paid by the State		(9)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 279,530</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	16,382	14,851	(1,531)
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Total program costs ²	<u>\$ 290,617</u>	263,457	<u>\$ (27,160)</u>
Less amount paid by the State		(65,849)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 197,608</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,203	16,021	(1,182)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs ²	<u>\$ 307,418</u>	286,296	<u>\$ (21,122)</u>
Less amount paid by the State		(60,382)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 225,914</u>	
<u>Summary: July 1, 2006, through June 30, 2010</u>			
Total program costs	<u>\$ 1,192,046</u>	\$ 1,086,513	<u>\$ (105,533)</u>
Less amount paid by the State		(180,790)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 905,723</u>	

¹ See the Finding and Recommendation section.

² Calculation differences due to rounding.

Finding and Recommendation

FINDING— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$105,533. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district claimed. We used statistical samples so that we could project each sample's results to the applicable population. The district used either daily attendance accounting or period attendance accounting, depending on the student's grade level. Therefore, we stratified each fiscal year's population into two groups.

The district's attendance records show that some of its initial truancy notifications claimed are non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Fewer than three while between ages 6 and 18	(20)	(16)	(22)	(1)
Fewer than three total	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>(2)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(26)</u>	<u>(19)</u>	<u>(24)</u>	<u>(3)</u>
Period attendance accounting:				
Fewer than three while between ages 6 and 18	(9)	(5)	(4)	(9)
Fewer than three total	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(5)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(9)</u>	<u>(5)</u>	<u>(5)</u>	<u>(14)</u>

The following table summarizes the audit adjustment based on the number of unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Daily attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(26)	(19)	(24)	(3)	
Statistical sample size	÷ 148	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(17.57)%	(12.93)%	(16.33)%	(2.05)%	
Population sampled	× 8,680	× 8,001	× 7,545	× 6,006	
Extrapolated number of unallowable initial truancy notifications	(1,525)	(1,035)	(1,232)	(123)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, daily attendance accounting ¹	\$ (24,629)	\$ (17,885)	\$ (21,856)	\$ (2,198)	\$ (66,568)
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(9)	(5)	(5)	(14)	
Statistical sample size	÷ 148	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(6.08)%	(3.38)%	(3.38)%	(9.46)%	
Population sampled	× 9,340	× 9,533	× 8,837	× 11,197	
Extrapolated number of unallowable initial truancy notifications	(568)	(322)	(299)	(1,059)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, period attendance accounting ¹	\$ (9,173)	\$ (5,564)	\$ (5,304)	\$ (18,924)	(38,965)
Audit adjustment	\$ (33,802)	\$ (23,449)	\$ (27,160)	\$ (21,122)	\$ (105,533)

¹ Calculation difference due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The program's parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

Audit by sampling

. . . Annual sample sizes of 146 to 148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. . . .

Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. . . .

SCO's Comment

Our finding and recommendation is unchanged. The district did not provide additional documentation to refute the audit findings. We have the following comments on the district's response:

Audit by Sampling

The district concludes that the SCO based its audit finding on the "wrong standard for review" and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

The SCO did, in fact, conclude that the district's claim was excessive. "Excessive" is defined as "exceeding what is usual, *proper*, *necessary* [emphasis added], or normal."¹ The district's mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, "The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence." Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district alleges that this audit *may have potential* factual problems with the sample and conclusions that *may not* be representative of the universe. The district provided no specific, factual documentation to support its allegations.

Number of Absences Required

The district states, ". . . 19 [notifications] were deemed unallowable because the students had only three *documented* absences during the school year. . . ." Although the district conceded this portion of the audit adjustment, the district's comment is factually inaccurate. From the statistical samples, we identified 19 unallowable notifications because the district documented *fewer than* three unexcused absences or tardiness occurrences during the school year.

¹ Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

Age of Student

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

OTHER ISSUES

The district's response included other comments related to the mandated cost claims. The district's comments and SCO's responses are presented below.

Statute of limitations

District's Response

. . . The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. . . .

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 [Statutes of 2004, Chapter 890, Section 18] because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

SCO's Comment

Our finding and recommendation is unchanged. The district infers that the audit did not commence until the entrance conference date of February 15, 2011. We disagree.

The SCO initiated the audit on January 24, 2011, by telephone call to Michael Dencavage, the district's former Chief Financial Officer. On the same date, we requested supporting documentation from the district and the district responded that it was retrieving the requested documentation. Therefore, the SCO initiated the audit within three years of the date that the district filed its claim.

Management representation letter

District's Response

The District will not be providing the requested written management representation letter. . . .

SCO's Comment

Our finding and recommendation is unchanged. We modified our audit report to disclose that the district declined to provide the written representation letter that is recommended by generally accepted government auditing standards.

**Public records
request**

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO's Comment

The SCO responded to the district's request by separate letter dated November 7, 2011.

The district's request is misleading. The district infers that all unallowable initial truancy notifications were notifications "sent to students whose attendance is otherwise required by law."

Of the 105 unallowable notifications identified in our statistical sample results, only 19 notifications are applicable to students whose absences occurred during periods when their attendance was required by law. The district sent the remaining notifications for students who accumulated absences during periods that the students' attendance was not mandatory pursuant to Education Code section 48200.

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



San Juan Unified School District

Budget Services

3738 Walnut Ave., Carmichael, CA 95608

P. O. Box 477, Carmichael, CA 95609-0477

Telephone (916) 971-7678 ☎ Fax (916) 971-7255

Internet Web Site: www.sanjuan.edu

Glynn Thompson, Interim Superintendent of Schools

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 2, 2011

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 2006-07, 2007-08, 2008-09, and 2009-10
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated October 25, 2011, that transmitted the draft audit report of the District's Notification of Truancy mandate annual reimbursement claims for the period of July 1, 2006 through June 30, 2010.

The findings involve legal issues that are the subject of several incorrect reduction claims, including two filed by this District, still pending hearing by the Commission on State Mandates, and cannot be resolved for this audit without the findings from the Commission. Therefore, the District will be filing an incorrect reduction from this audit to preserve its rights.

Finding - Non-reimbursable initial truancy notifications

The District claimed \$1,192,046 for the four fiscal years that are the subject of this audit. The draft audit report concludes that \$105,533 is not allowable for the audit period.

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the four fiscal years. Annual sample sizes of 146 to

148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

Statute of Limitations

This is not an audit finding. The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended Section 17558.5, subdivision (a), to state:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

Management Representation Letter

The District will not be providing the requested written management representation letter since it could be construed as a waiver of future appeal rights. The District did respond verbally to questions from the auditor related to internal control procedures, to the apparent satisfaction of the auditor since there are no audit findings stated for those issues.

Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,

A handwritten signature in blue ink that reads "Kent Stephens". The signature is written in a cursive style with a long horizontal flourish at the end.

Kent Stephens, Chief Financial Officer
San Juan Unified School District

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

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

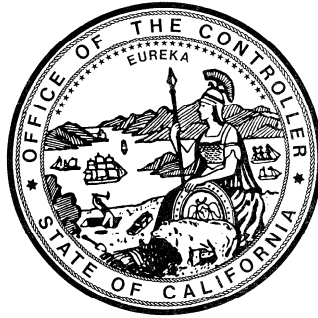
SAN JUAN UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 1999, through June 30, 2002



JOHN CHIANG
California State Controller

November 2009



JOHN CHIANG
California State Controller

November 25, 2009

Richard Launey, President
Board of Education
San Juan Unified School District
P.O. Box 477
Carmichael, CA 95609-0477

Dear Mr. Launey:

The State Controller's Office audited the claims filed by San Juan Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. This revised report supersedes our previous report, issued December 30, 2004. We revised the final report to present the audit results for fiscal year (FY) 1999-2000, FY 2000-01, and FY 2001-02 based on a stratified sampling methodology. The revised allowable costs increased by \$21,130.

The district claimed \$578,710 for the mandated program. Our audit disclosed that \$491,398 is allowable and \$87,312 is unallowable. The costs are unallowable primarily because the district claimed costs of notifications issued to pupils with fewer than four trancies. The district was paid \$470,268. Allowable costs claimed exceed the amount paid by \$21,130.

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 CSM's Web site link 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/wm

cc: Pat Jaurequi, Ed.D
 Superintendent of Schools
 San Juan Unified School District
Dina Geiss, CPA
 Director of Accounting and Business Support Services
 San Juan Unified School District
David W. Gordon, County Superintendent of Schools
 Sacramento County Office of Education
Scott Hannan, Director
 School Fiscal Services Division
 California Department of Education
Carol Bingham, Director
 Fiscal Policy Division
 California Department of Education
Thomas Todd, Principal Program Budget Analyst
 Education Systems Unit
 Department of Finance

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Follow-up Correspondence	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the San Juan Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$578,710 for the mandated program. The audit disclosed that \$491,398 is allowable and \$87,312 is unallowable. The costs are unallowable primarily because the district claimed costs of notifications issued to pupils with fewer than four trancies. The district was paid \$470,268. Allowable costs claimed exceed the amount paid by \$21,130.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to Education Code section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in Education Code section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandated program and define the reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993. 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 our audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

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, San Juan Unified School District claimed \$578,710 for costs of the Notification of Truancy Program. Our audit disclosed that \$491,398 is allowable and \$87,312 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$143,739 by the State. Our audit disclosed that \$152,386 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$8,647, will be paid by the State based upon available appropriations.

For FY 2000-01, the district was paid \$143,543 by the State. Our audit disclosed that \$153,766 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$10,223, will be paid by the State based upon available appropriations.

For FY 2001-02, the district was paid \$182,986 by the State. Our audit disclosed that \$185,246 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$2,260, will be paid by the State based upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 28, 2004. Dina Geiss, CPA, Director of Business Support Services for the district, responded by e-mail on November 29, 2004. Ms. Geiss stated that the district will not respond to the draft report.

**Follow-up
Correspondence**

In a letter to the CSM, dated February 4, 2008, the district questioned our application of sampling results to determine audit adjustments. The audit report stated that we conducted a stratified sample for elementary and special education students, and middle and high school students. The results from each sample were combined and extrapolated to the total population of notifications claimed for each fiscal year to determine unallowable notifications. While the samples were representative for each student population, the results of the sampling were incorrectly applied to all students in the audit report. Consequently, our extrapolation was not accurate. Therefore, we recomputed the extrapolation for each sampled population separately and made corresponding changes in our audit adjustments. The revised allowable costs increased by \$21,130.

We discussed the revised audit results with Dina Geiss, Director of Accounting and Business Support Services, on September 3, 2009. Michael Dencavage, Chief Financial Officer, responded by letter dated October 30, 2009, disagreeing with the use of our statistical sampling methodology. This revised final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the San Juan Unified School District, the Sacramento 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

November 25, 2009

**Revised Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	14,591	12,460	(2,131)	
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	Findings 1, 2
Total program costs	<u>\$ 178,448</u>	\$ 152,386	<u>\$ (26,062)</u>	
Less amount paid by the State		<u>(143,739)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,647</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	14,413	12,079	(2,334)	
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	Finding 2
Total program costs	<u>\$ 183,477</u>	\$ 153,766	<u>\$ (29,711)</u>	
Less amount paid by the State		<u>(143,543)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,223</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,792	14,349	(2,443)	
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	Finding 2
Total program costs	<u>\$ 216,785</u>	\$ 185,246	<u>\$ (31,539)</u>	
Less amount paid by the State		<u>(182,986)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,260</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total program costs	<u>\$ 578,710</u>	\$ 491,398	<u>\$ (87,312)</u>	
Less amount paid by the State		<u>(470,268)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 21,130</u>		

¹ See the Revised Findings and Recommendations section.

Revised Findings and Recommendations

FINDING 1— Overclaimed number of initial truanancies

The district claimed 11 initial truanancies, totaling \$135, that were not supported by its attendance records for FY 1999-2000 claimed costs. It appears that the district made a claim preparation error when transferring data from the Attendance Letter Tracking Report to the Notification of Truancy claim forms.

Recommendation

We recommend the district establish policies and procedures to ensure that all claimed costs are fully supported.

FINDING 2— Unallowable costs relating to initial truanancies

The district claimed \$87,177 during the audit period for initial truancy notification forms distributed to a pupil's parent or guardian that were not reimbursable. The pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program.

The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Allowable per audit	\$ 152,521	\$ 153,766	\$ 185,246	\$ 491,533
Less actual costs claimed	(178,448)	(183,477)	(216,785)	(578,710)
Audit adjustment	<u>\$ (25,927)</u>	<u>\$ (29,711)</u>	<u>\$ (31,539)</u>	<u>\$ (87,177)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. For each fiscal year, we stratified the total population into two groups: elementary and special education students, and middle and high school students. For elementary and special education students, we selected a sample of 146 pupils during the first two fiscal years audited and 147 during the third fiscal year audited. For middle and high school students, we selected a sample of 148 pupils for all three fiscal years.

The following table summarizes unallowable truancy notifications claimed:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Elementary School and Special Education:				
Number of unallowable truancy notifications	52	62	38	
Truant pupils sampled	÷ 146	÷ 146	÷ 147	
Unallowable percentage	(35.61)%	(42.47)%	(25.85)%	
Supported number of truancy notifications claimed	× 5,049 ¹	× 5,203	× 7,509	
Projected number of unallowable truancy notifications	(1,798)	(2,210)	(1,941)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Total unallowable truancy notifications claimed, elementary school and special education	\$ (21,989)	\$ (28,133)	\$ (25,058)	\$ (75,180)
Middle and High School:				
Number of unallowable truancy notifications	5	2	8	
Truant pupils sampled	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(3.38)%	(1.35)%	(5.41)%	
Number of truancy notifications claimed	9,531	9,210	9,283	
Projected number of unallowable truancy notifications	(322)	(124)	(502)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	
Total unallowable truancy notifications claimed, middle and high schools	\$ (3,938)	\$ (1,578)	\$ (6,481)	(11,997)
Total audit adjustment	\$ (25,927)	\$ (29,711)	\$ (31,539)	\$ (87,177)

¹ Net of 11 unsupported truanancies identified in Finding 1.

For FY 1999-2000, we sampled 294 of the notifications claimed, as noted above. Of these notifications, 52 are unallowable for elementary and special education students, and five notifications are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 57 total unallowable notifications included one that was issued to a middle and high school student, and five that were issued to elementary and special education pupils who had fewer than three unexcused absences during the entire school year.

For FY 2000-01, we sampled 294 of the notifications claimed, as noted above. Of these notifications, 62 are unallowable for elementary and special-education students, and two are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 64 total unallowable notifications included one that was issued to a middle and high school student, and eight that were issued to elementary and special education students who had fewer than three unexcused absences during the entire school year.

For FY 2001-02, we sampled 295 of the notifications claimed, as noted above. Of these notifications, 38 are unallowable for elementary and special education students, and eight are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 46 total unallowable notifications included one that was issued to an elementary and special-education pupil who had fewer than three unexcused absences during the entire school year.

The parameters and guidelines, as amended by the CSM on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping. The parameters and guidelines state that truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. The parameters and guidelines also state that the uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is to be adjusted each subsequent year by the Implicit Price Deflator.

Recommendation

We recommend the district claim reimbursement under the Notification of Truancy Program in a manner that is consistent with the parameters and guidelines. The parameters and guidelines in effect for the audit period state that reimbursement is for truancy notifications applicable to pupils who are absent from school without a valid excuse for more than three days or tardy in excess of 30 minutes on each of more than three occasions in one school year. Although Education Code section 48260, subdivision (a) (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, the parameters and guidelines require at least four unexcused absences to be classified as a reimbursable truant.

On January 31, 2008, the CSM adopted amended parameters and guidelines pursuant to Chapter 69, Statutes of 2007 (Assembly Bill 1698). The amended parameters and guidelines are now consistent with Education Code section 48260, subdivision (a), as amended in 1994. Accordingly, reimbursement is now allowable for notifications sent to parents or guardians upon a student's absence from school without valid excuse for three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. In addition the notification letter must contain the eight elements required by statute. The amended parameters and guidelines are applicable for claims filed for FY 2006-07 and subsequent fiscal years.

**FINDING 3—
Improper attendance
accounting procedures
of student truanies**

The district did not use proper attendance accounting procedures for student truanies in middle and high schools for the period of July 1, 1999, through June 30, 2002. Our review of attendance records indicated that the district classified the middle and high school students as truants only if the student had accumulated three days worth of “period” absences. In some cases, students with a sufficient number of unexcused absences to be classified as truants were not being classified as truants by the district. The district’s attendance accounting procedures for student truanies did not meet the criteria specified in Section I of the parameters and guidelines or language contained in Education Code section 48260, subdivision (a).

We randomly sampled 444 of 28,024 middle and high school truancy notifications claimed. All of the notifications in the sample were documented using improper attendance accounting procedures for student truanies. Since initial notification letters were distributed later than would have been the case had proper attendance accounting procedures been followed, no dollar amount will be assigned to this non-compliance issue based solely on the timing of letter distributions. Unallowable costs related to notifications issued to pupils who did not have four or more unexcused absences are discussed in Finding 2.

The parameters and guidelines (section I) states, “A truancy occurs when a student is absent from school without valid excuse more than three (3) days *or* (emphasis added) is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year”. Currently, Education Code section 48260, subdivision (a) more explicitly defines truancy as:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, **or any combination thereof** [emphasis added]. . . .

Recommendation

We recommend that the district develop adequate truancy accounting policies and procedures consistent with Education Code section 48260, subdivision (a) and of the parameters and guidelines, section I, to ensure that all claimed costs are eligible and properly supported.

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



San Juan Unified School District
Business Services
3738 Walnut Avenue, Carmichael, California 95608
P.O. Box 477, Carmichael, California 95609-0477
Telephone (916) 971-7238;
Internet Web Site: www.sanjuan.edu

Dr. Pat Jaurequi, Superintendent of Schools

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 30, 2009

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 1999-00, 2000-01, and 2001-02
REVISED AUDIT REPORT
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated October 9, 2009, and received by the District by email from Jim Venneman on October 13, 2009, that transmitted the draft *revised* audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 1999 through June 30, 2002.

The revised audit report increases the allowable costs by \$21,130. An email dated September 3, 2009, from Jim Venneman states that this change is a result in extrapolating the sample results separately to the two sampling populations rather than one extrapolation to the entire population. Mr. Venneman states that this is a more accurate application of the sample findings.

This audit is already the subject of an incorrect reduction claim filed December 17, 2007. The incorrect reduction claim disputes the applicability of the statistical sampling method for several reasons, one of which was the combined extrapolation. However, none of the other procedural and factual disputes have been changed by the findings of the revised report, so the incorrect reduction claim will proceed.

Sincerely,

Michael Dencavage, Chief Financial Officer
San Juan Unified School District

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

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

S03-MCC-024

SAN JUAN UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983,
and Chapter 1023, Statutes of 1994

July 1, 2002, through June 30, 2006



JOHN CHIANG
California State Controller

September 2009



JOHN CHIANG
California State Controller

September 4, 2009

Richard Launey, President
Board of Education
San Juan Unified School District
3738 Walnut Avenue
Carmichael, CA 95608-3054

Dear Mr. Launey:

The State Controller's Office audited the costs claimed by San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2006.

The district claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$619,133. Allowable costs claimed exceed the amount paid by \$172,577.

If you disagree with the audit finding, 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: Patricia Jaurequi, Superintendent
San Juan Unified School District
Michael Dencavage, Chief Financial Officer
San Juan Unified School District
Sharon Rew, Internal Auditor
San Juan Unified School District
David W. Gordon, County Superintendent of Schools
Sacramento County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal 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	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Finding and Recommendation	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2006.

The district claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$619,133. Allowable costs claimed exceed the amount paid by \$172,577.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2002, 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 Finding and Recommendation section of this report.

For the audit period, San Juan Unified School District claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$131,013. Our audit disclosed that \$126,618 is allowable. The State will offset \$4,395 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$229,909. Our audit disclosed that \$177,004 is allowable. The State will offset \$52,905 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$258,211. Our audit disclosed that \$248,415 is allowable. The State will offset \$9,796 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$239,673 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on August 6, 2009. Michael Dencavage, Chief Financial Officer, responded by letter dated August 19, 2009 (Attachment), disagreeing 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 the San Juan Unified School District, the Sacramento 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

September 4, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2006**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment ¹</u>
<u>July 1, 2002, through June 30, 2003</u>			
Number of initial truancy notifications	10,001	9,668	(333)
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20
Subtotal	132,013	127,618	(4,396)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 131,013</u>	126,618	<u>\$ (4,396)</u>
Less amount paid by the State		(131,013)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,395)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Number of initial truancy notifications	16,904	13,031	(3,873)
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66
Subtotal	230,909	178,004	(52,905)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 229,909</u>	177,004	<u>\$ (52,905)</u>
Less amount paid by the State		(229,909)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (52,905)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Number of initial truancy notifications	18,082	17,396	(686)
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28
Total program costs	<u>\$ 258,211</u>	248,415	<u>\$ (9,796)</u>
Less amount paid by the State		(258,211)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (9,796)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Number of initial truancy notifications	19,654	15,423	(4,231)
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54
Total program costs	<u>\$ 305,423</u>	239,673	<u>\$ (65,750)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 239,673</u>	
<u>Summary: July 1, 2002, through June 30, 2006</u>			
Total costs	\$ 926,556	\$ 793,710	\$ (132,847)
Less late filing penalty	(2,000)	(2,000)	—
Total program costs	<u>\$ 924,556</u>	791,710	<u>\$ (132,847)</u>
Less amount paid by the State		(619,133)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 172,577</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$132,847. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary/K-8 school and secondary school attendance differently; therefore, we stratified the population into two groups.

For fiscal year (FY) 2002-03, the district claimed 10,001 initial truancy notifications. The district provided documentation that identified 9,999 truant students. The difference is immaterial; therefore, we conducted our statistical sample using a population of 9,999 truant students.

For FY 2005-06, the district claimed 19,654 initial truancy notifications. We selected our statistical sample based on a total population of 19,614 truant students. The district subsequently provided additional documentation supporting the additional 40 students. We allowed those students; however, we excluded them from the statistical sample and the extrapolation of the statistical sample results.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. The district claimed unallowable notifications for the following reasons:

- The student accumulated only three unexcused absences or tardiness occurrences.
- The student accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- The student accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the unallowable initial truancy notifications identified in our statistical sample:

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
<u>Elementary/K-8 Schools</u>				
Accumulated only three unexcused absences and tardiness occurrences	—	(38)	—	(31)
Accumulated fewer than four unexcused absences and tardiness occurrences while between ages 6 and 18	—	(14)	—	(10)
Accumulated fewer than three unexcused absences and tardiness occurrences	—	(1)	—	(15)
Total, elementary/K-8 schools	<u>—</u>	<u>(53)</u>	<u>—</u>	<u>(56)</u>
<u>Secondary Schools</u>				
Accumulated only three unexcused absences and tardiness occurrences	(8)	(6)	(5)	(1)
Accumulated fewer than four unexcused absences and tardiness occurrences while between ages 6 and 18	(5)	(10)	(4)	(8)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(2)</u>	<u>(2)</u>	<u>(1)</u>	<u>(1)</u>
Total, secondary schools	<u>(15)</u>	<u>(18)</u>	<u>(10)</u>	<u>(10)</u>

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment.

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
<u>Elementary/K-8 Schools</u>					
Number of unallowable initial truancy notifications from statistical sample		(53)		(56)	
Statistical sample size		÷ 147		÷ 148	
Unallowable percentage		(36.05)%		(37.84)%	
Number of initial truancy notifications documented		× 7,609		× 9,347	
Number of unallowable initial truancy notifications		(2,743)		(3,537)	
Uniform cost allowance		× \$13.66		× \$15.54	
Subtotal		\$ (37,469)		\$ (54,965)	\$ (92,434)
<u>Secondary Schools</u>					
Number of unallowable initial truancy notifications from statistical sample		(15)	(18)	(10)	(10)
Statistical sample size	÷ 143	÷ 148	÷ 149	÷ 148	
Unallowable percentage	(10.49)%	(12.16)%	(6.71)%	(6.76)%	
Number of initial truancy notifications documented	× 3,176	× 9,295	× 10,227	× 10,267	
Number of unallowable initial truancy notifications	(333)	(1,130)	(686)	(694)	
Uniform cost allowance	× \$ 13.20	× \$13.66	× \$14.28	× \$15.54	
Subtotal	\$ (4,396)	\$ (15,436)	\$ (9,796)	\$ (10,785)	(40,413)
Audit adjustment	\$ (4,396)	\$ (52,905)	\$ (9,796)	\$ (65,750)	\$(132,847)

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

In addition, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2002-03 through FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

Audit by sampling

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the

errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. Some of the samples selected may be students who attend alternative education programs. One of the several reasons that students attend alternative education programs is that they were absent frequently from regular schools. Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school.

Number of absences required

The majority of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's action is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than 6 years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

Audit by Sampling

The district incorrectly concludes that the SCO based its audit finding on the "wrong standard for review" and that the SCO may reduce only those claims that it determines are excessive or unreasonable. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

In any case, the SCO did in fact conclude that the district's claim was excessive. "Excessive" is defined as "exceeding what is usual, *proper*, *necessary*, [emphasis added] or normal."¹ The district's mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, "The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence." Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district believes that the sample results *may* not be representative of the population because the audit sample *may* have included alternative education students. The district concludes by stating, "Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school." In fact, the opposite is true. An appropriate random, statistical sample may include some alternative education students because those students are part of the truancy population. The district's response provides no evidence showing that the audit sample included a disproportionate number of alternative education students compared to the truancy population. The same argument holds true for students who were younger than age 6 or older than age 17.

Number of Absences Required

The district confuses the difference between its statutory responsibility versus mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. For the audit period, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

¹ Merriam-Webster's Collegiate Dictionary, Tenth Edition, 2001.

Age of Student

The district confuses the difference between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are *not* subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

**OTHER ISSUE—
Public records
request**

The district's response included a public records request. The district's response and SCO's comment are as follows:

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

SCO's Comment

The SCO provided the district the requested records by separate letter dated September 4, 2009.

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



San Juan Unified School District

Business Services

3738 Walnut Avenue, Carmichael, California 95608

P.O. Box 477, Carmichael, California 95609-0477;

Telephone (916) 971-7238; FAX (916) 979-8215; E-Mail MDencavage@sanjuan.edu

Internet Web Site: www.sanjuan.edu

Dr. Pat Jaurequi, Superintendent of Schools

August 19, 2009

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

Re: Chapter 498, Statutes of 1983
Notification of Truancy
Fiscal Years: 2002-03, 2003-04, 2004-05, and 2005-06
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated August 6, 2009, and received by the District on August 10, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2002 through June 30, 2006.

Finding - Non-reimbursable initial truancy notifications

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$132,847 for the audit period.

Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the four fiscal years. The draft audit report does not indicate the sample size or universe for every fiscal year, only those fiscal years with findings. However, it appears that a sample of about 148 notifications was selected for both elementary and secondary schools each year, or a total of about 1,184 notifications for the four years. Based on the claimed number of notifications for the four years (64,641), it appears the sample size is approximately 1.8%. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. Some of the samples selected may be students who attend alternative education programs. One of the several reasons that students attend alternative education programs is that they were absent frequently from regular schools. Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school.

Number of absences required

The majority of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's action is without legal authority.

Age of student

Many of the sampled notifications were disallowed because the student was younger than 6 years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

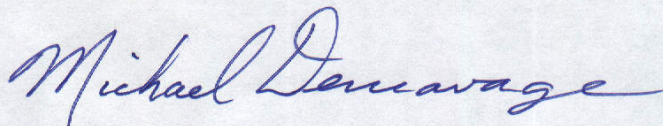
Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the

findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefor. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,



Michael Dencavage, Chief Financial Officer
San Juan Unified School District

Cc: Dr. Pat Jaurequi, Superintendent
Sharon Rew, Internal Auditor

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

September 2005



STEVE WESTLY
California State Controller

September 30, 2005

Al Mijares, Ph.D., Superintendent
Santa Ana Unified School District
1601 East Chestnut Avenue
Santa Ana, CA 92701-6322

Dear Dr. Mijares:

The State Controller's Office audited the claims filed by the Santa Ana Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State paid the district \$169,897.

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/ams

cc: Don Stabler

Associate Superintendent
Business Services
Santa Ana Unified School District

Socorro Barron
Director of Pupil Support Services
Santa Ana Unified School District

William M. Habermehl
County Superintendent of Schools
Orange 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 Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Santa Ana Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was September 21, 2004.

The district claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State paid the district \$169,897.

Background

Education Code Section 48260.5, added by Chapter 498, Statutes of 1983, requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means: (1) of the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution; (4) of alternative educational programs available in the district, and (5) of the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts that is reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and 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* Section 17558.5. 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.

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 *Government Auditing Standards*. However, the district did not respond to 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, the Santa Ana Unified School District claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for Notification of Truancy Program costs. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$60,251. Our audit disclosed that none of the costs claimed are allowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$109,646. Our audit disclosed that \$9,212 is allowable. The district should return \$100,434 to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that \$17,384 is allowable. The State will pay the allowable costs, contingent upon available appropriations.

Views of Responsible Officials

The SCO issued a draft report on March 30, 2005. The district responded by letter dated July 22, 2005, requesting additional time to complete its review and respond to the draft audit report. The district stated that it lacked sufficient information to agree or disagree with Finding 1, but that it disagreed with Finding 2. The district provided additional documentation for Finding 2, which resulted in a reduction of total audit findings by \$12,364, from \$721,781 to \$709,417. This final report includes the district's response.

Restricted Use

This report is solely for the information and use of the Santa Ana Unified School District, the Orange 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, 2000, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Number of notifications	23,182	—	(23,182)	Findings 1, 2
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Total costs	295,107	—	(295,107)	
Less late penalty	—	—	—	
Total program costs	<u>\$ 295,107</u>	—	<u>\$ (295,107)</u>	
Less amount paid by the State		(60,251)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (60,251)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of notifications	15,898	791	(15,107)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total costs	205,243	10,212	(195,031)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 204,243</u>	9,212	<u>\$ (195,031)</u>	
Less amount paid by the State		(109,646)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (100,434)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of notifications	17,929	1,317	(16,612)	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total costs	236,663	17,384	(219,279)	
Less late penalty	—	—	—	
Total program costs	<u>\$ 236,663</u>	17,384	<u>\$ (219,279)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,384</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Total costs	\$ 737,013	\$ 27,596	\$ (709,417)	
Less late penalty	(1,000)	(1,000)	—	
Net cost	<u>\$ 736,013</u>	26,596	<u>\$ (709,417)</u>	
Less amount paid by the State		(169,897)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (143,301)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overclaimed number
of initial truanancies**

The district claimed 13,341 notifications of initial truancy, totaling \$171,041, that were not supported by attendance records for the period of July 1, 2000 through June 30, 2003.

For the audit period, the district was unable to reconcile the total number of initial truancy notification forms claimed to the number of pupils who were truant, based on attendance files. The district claimed 57,009 initial truancy notifications. The attendance files for the period showed 50,326 initially truant pupils. In addition, the district double-claimed 6,658 truanancies. The district explained that the differences were due to a change in its attendance accounting system.

The difference between the claimed number of truanancies and the number of truanancies per the attendance records are as follows:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Truanancies per district attendance records	22,233	10,332	17,761	50,326
Duplicated attendance records	(5,940)	(718)	—	(6,658)
Adjusted truanancies per district attendance records	16,293	9,614	17,761	43,668
Truanancies per claim	(23,182)	(15,898)	(17,929)	(57,009)
Difference	(6,889)	(6,284)	(168)	(13,341)

The unsupported initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are described as follows:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Unsupported initial truancy notifications claimed	(6,889)	(6,284)	(168)	(13,341)
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Audit adjustment	\$ (87,697)	\$ (81,126)	\$ (2,218)	\$ (171,041)

Recommendation

We recommend the district establish and implement procedures to ensure that all costs claimed are supported.

District’s Response

The District lacks sufficient information at this time to determine whether it agrees or disagrees with this Finding.

SCO’s Comment

The finding and recommendation remain unchanged. The district did not provide additional documentation to refute this finding.

**FINDING 2—
Unallowable cost
relating to number of
initial truancy
notifications distributed**

For the audit period, the district claimed \$538,376 for 41,560 initial truancy notifications that were not supported.

From the total adjusted truanancies per the district’s attendance records each year (see Finding 1), we selected samples based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. For each year, we stratified the total population into three groups: elementary, middle, and high school. In all, sample items were selected from 56 out of 59 possible school sites. The number of unallowable truancy notifications identified in the sample, the percentage unallowable, and the projected audit adjustments are summarized below.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
<u>Elementary School</u>				
Unallowable truancy notifications	(139)	(145)	(139)	
Truant pupils sampled	÷ 139	÷ 146	÷ 145	
Unallowable percentage	(100)%	(99.32)%	(95.86)%	
Adjusted truanancies per district attendance records	× 1,836	× 5,521	× 4,000	
Projected unallowable truancy notifications	<u>(1,836)</u>	<u>(5,483)</u>	<u>(3,834)</u>	
<u>Middle School</u>				
Unallowable truancy notifications	(145)	(121)	(128)	
Truant pupils sampled	÷ 145	÷ 139	÷ 145	
Unallowable percentage	(100)%	(87.05)%	(88.28)%	
Adjusted truanancies per district attendance records	× 4,637	× 1,813	× 4,442	
Projected unallowable truancy notifications	<u>(4,637)</u>	<u>(1,578)</u>	<u>(3,921)</u>	
<u>High School</u>				
Unallowable truancy notifications	(148)	(109)	(138)	
Truant pupils sampled	148	141	148	
Unallowable percentage	(100)%	(77.31)%	(93.25)%	
Adjusted truanancies per district attendance records	× 9,820	× 2,280	× 9,319	
Projected unallowable truancy notifications	<u>(9,820)</u>	<u>(1,762)</u>	<u>(8,689)</u>	
<u>Totals</u>				
Total unallowable notifications per year	(16,293)	(8,823)	(16,444)	
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Total audit adjustment	<u>\$(207,410)</u>	<u>\$(113,905)</u>	<u>\$(217,061)</u>	<u>\$(538,376)</u>

For fiscal year (FY) 2000-01, the auditor selected and tested 432 truanancies (139 for elementary school, 145 for middle school, and, 148 for high school) from a population of 16,293 truanancies (1,836 for elementary school, 4,637 for middle school, 9,820 for high school). The district did not provide any documentation to support the distribution of initial truancy notification forms for the entire sample.

For FY 2001-02, the auditor selected and tested 426 truancy notifications (146 for elementary school, 139 for middle school, and 141 for high school) from a population of 9,614 truancy notifications (5,521 for elementary school, 1,813 for middle school, and 2,280 for high school). We determined that 375 notifications are unallowable because the district did not provide any documentation to support the distribution of initial truancy notifications.

For FY 2002-03, the auditor selected and tested 438 truancy notifications (145 for elementary and middle schools and 148 for high school) from a population of 17,761 truancy notifications (4,000 for elementary school, 4,442 for middle school, and 9,319 for high school). We determined that 405 notifications are unallowable because the district did not provide any documentation to support the distribution of initial truancy notifications.

Inquiry with the district personnel at 56 out of 59 school sites visited for testing revealed the following:

- For all school sites, the attendance clerks and/or administrator stated that their schools did not send out the initial truancy notifications for FY 2000-01. They stated that the district developed the standardized initial truancy notification form, containing the five required elements, in FY 2001-02. However, sampled truancy notifications revealed that these notification forms were not used during the audit period.
- The attendance clerks and/or administrators of 27 schools sites stated that they did not send out any initial truancy notification forms during the audit period.

Parameters and Guidelines, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts will be reimbursed for identifying the truant pupil to receive the notification, preparing and distributing initial truancy notification forms by mail or other method to parents/guardians, and associated recordkeeping. *Parameters and Guidelines* states that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Parameters and Guidelines* allows the district to be reimbursed for claimed costs if the initial truancy notification form distributed to the pupil's parent or guardian contains five specified elements, using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

Education Code Section 48260.5 was amended by Chapter 1023, Statutes of 1994 (effective January 1, 1995), to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, a claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

Recommendation

We recommend the district establish and implement procedures to ensure that it maintains supporting documentation for all claimed initial truancy notifications.

District's Response

The District recognizes that the Adopted Parameters and Guidelines ("Parameters and Guidelines") applicable to the Notification of Truancy Mandate ("Mandate") indicate that the District should retain "[d]ocumentation which indicates the total number of initial notifications of truancy distributed." (emphasis added). The Parameters and Guidelines contain no requirement, however, that individual notification of truancy letters must, themselves, be retained in the manner sought by SCO.

Here, it appears to be the case that SCO allowed funds claimed by the District only where actual notification of truancy letters could be located for specific students in SCO's audit sample. This level of documentation is not supported by existing law, which contains no requirement that the District retain individual notification of truancy letters in order to qualify for funding under the Mandate. California Courts of Appeal have held that audit criteria devised by state agencies, but not specifically authorized by statute or regulation, cannot be employed in conducting audits because they constitute "regulations" which have not been promulgated as required by the Administrative Procedure Act ("APA"). Government Code § 11340 et seq.; *Grier v. Kizer* (1990) 219 Cal.App.3d 422 [28 Cal.Rptr. 244]. As such, SCO erred in imposing this heightened level of documentation, and the District, therefore, objects to SCO's Draft Audit Report.

As noted above, the District is presently in the process of gathering information in response to the Draft Audit Report. Some of that information is described immediately below, and copies of a number of relevant documents have also been enclosed. In order to facilitate this process, the District hereby requests that SCO provide clarification as to what alternative evidence, if any, would be accepted by SCO in connection with this matter.

The District additionally responds to the Draft Audit Findings as follows:...

As noted above, the District's review of this matter is ongoing, and is not yet complete. Nevertheless, the District has already identified a number of relevant records that SCO auditors apparently overlooked or failed to locate. These include:

1. Notification of truancy letters and/or individualized computer records confirming that notification of truancy letters were sent for 32 students in SCO's audit sample. These should be credited to the District. A copy of these records is attached herto as Exhibit "A."

2. Approximately 400 notification of truancy letters for District high school students for the 2002-2003 school year. The quantity of these records far exceeds the number of such records that would be anticipated if the results of the SCO audit sample were accurate. Specifically, SCO appears to have credited only 1 notification of truancy letter out of 148 high school students sampled in 2002-2003. A copy of these records is attached hereto as Exhibit "B."

SCO's Comment

The finding has been revised based on the additional information the district has provided.

Consistent with *Parameters and Guidelines*, we agree that the district should retain documentation indicating the total number of initial truancy notifications distributed. Accordingly, we requested that the district provide documentation such as mail receipts, truancy logs, or copies of truancy letters, etc., that would substantiate the distribution of truancy notifications. We did not specifically request that the district provide copies of individual truancy notifications. Instead, we suggested that, to substantiate the claimed notification, the district could also provide copies of notifications.

The district is mistaken in its assertion that we allowed funds it claimed only when actual notification of truancy letters could be located. As stated above, we requested that the district provide documentation substantiating distribution of truancy notifications. To substantiate the distribution of notifications, the district provided, for a few sample items, copies of truancy letters. For the remainder of the sample items, the district provided neither copies of truancy letters nor any other records to substantiate the distribution of truancy notifications.

The district provided a number of documents in its response to the draft report. These documents substantiated an additional 32 sample notifications. Additional notifications were deemed allowable because the district provided either copies of the notification letters or CASTS-LPR (LPR) computer-printed screen reports showing that a notification letter was sent to a pupil's parent or guardian.

The district's response to the draft report also included truancy letters and LPR screen reports for various truanancies that were not included in the sample. Therefore, these letters have no effect on the projection of the statistical sample results to the population.

OTHER ISSUE

The district requested in its response a copy of the audit working papers and a further extension of time so that it may more fully respond to the draft report, well in advance of issuance of the final report. The district's response and the SCO's comments are as follows.

District's Response

The district states that its correspondence constitutes a preliminary response. The draft report proposes adjustments of \$171,041 in Finding 1 and \$550,740 in Finding 2. The district states that these adjustments are based in large part on an audit sample that includes approximately 450 students at 56 different school sites for each of three separate school years. Consequently, the district proposes to further respond to the draft report at a later date.

The district also states:

The District is presently engaged in the process of reviewing the Draft Audit Report. In light of the quantity of relevant data, that process is moving forward, but is not yet complete. Moreover, while the District has been allowed access to a part of the audit work papers, that access has neither been full nor complete. As a result, the District has not been able to gain a comprehensive understanding of specific SCO determinations which underlies the Draft Audit Report, nor has the District completed its review of relevant documentation. The District, therefore, renews its request for a full and complete copy of the audit work papers, and a further extension of time so that the District may more fully respond to the Draft Audit Report, well in advance of issuance of any Final Audit Report.

SCO's Comment

The district requested and was granted an extension through July 22, 2005. We believe that the district had sufficient time to adequately respond to the audit findings. Therefore, the district's preliminary response is considered final.

We provided the district a complete set of documentation supporting the audit findings on May 13, 2005. The documents included sample items, school sites, individuals contacted, and test results. This documentation substantiates the findings in detail.

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



Santa Ana Unified School District

Al Mijares, Ph.D., Superintendent

July 22, 2005

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:

District Response to Draft Audit Report Issued March 30, 2005

This correspondence constitutes the preliminary response of the Santa Ana Unified School District ("District") to the Draft Audit Report issued by the Office of the State Controller ("SCO") on or about March 30, 2005. For the reasons discussed below, the District requests additional time to complete its review of this matter, and proposes to further respond to the Draft Audit Report at a later date.

DISCUSSION:

The Draft Audit Report proposes audit adjustments of \$171,041 (Finding 1) and \$550,740 (Finding 2). These adjustments are based in large part on an audit sample that includes approximately 450 students at 56 different school sites for each of three separate school years (i.e. 2000-2001 through 2002-2003). As such, it is clear that this matter involves a substantial amount of documentation

The District is presently engaged in the process of reviewing the Draft Audit Report. In light of the quantity of relevant data, that process is moving forward, but is not yet complete. Moreover, while the District has been allowed access to a part of the audit work papers, that access has neither been full nor complete. As a result, the District has not been able to gain a comprehensive understanding of the specific SCO determinations which underlies the Draft Audit Report, nor has the District completed its review of relevant documentation. The District, therefore, renews its request for a full and complete copy of the audit work papers, and a further extension of time so that the District may more fully respond to the Draft Audit Report, well in advance of issuance of any Final Audit Report.

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322 (714) 558-5501

BOARD OF EDUCATION

Audrey Yamagata-Noji, Ph.D., President • Rob Richardson, Vice President
Sal Tinajero, Clerk • Rosemarie Avila, Member • John Palacio, Member

The District recognizes that the Adopted Parameters and Guidelines (“Parameters and Guidelines”) applicable to the Notification of Truancy Mandate (“Mandate”) indicate that the District should retain “[d]ocumentation which indicates the total number of initial notifications of truancy distributed.” (emphasis added). The Parameters and Guidelines contain no requirement, however, that individual notification of truancy letters must, themselves, be retained in the manner sought by SCO.

Here, it appears to be the case that SCO allowed funds claimed by the District only where actual notification of truancy letters could be located for specific students in SCO’s audit sample. This level of documentation is not supported by existing law, which contains no requirement that the District retain individual notification of truancy letters in order to qualify for funding under the Mandate. California Courts of Appeal have held that audit criteria devised by state agencies, but not specifically authorized by statute or regulation, cannot be employed in conducting audits because they constitute “regulations” which have not been promulgated as required by the Administrative Procedure Act (“APA”). Government Code § 11340 et seq.; *Grier v. Kizer* (1990) 219 Cal.App.3d 422 [28 Cal.Rptr. 244]. As such, SCO erred in imposing this heightened level of documentation, and the District, therefore, objects to SCO’s Draft Audit Report.

As noted above, the District is presently in the process of gathering information in response to the Draft Audit Report. Some of that information is described immediately below, and copies of a number of relevant documents have also been enclosed. In order to facilitate this process, the District hereby requests that SCO provide clarification as to what alternative evidence, if any, would be accepted by SCO in connection with this matter.

The District additionally responds to the Draft Audit Findings as follows:

Additional District Response to Finding 1

The District lacks sufficient information at this time to determine whether it agrees or disagrees with this Finding.

Additional District Response to Finding 2

The District disagrees with this Finding.

As noted above, the District’s review of this matter is ongoing, and is not yet complete. Nevertheless, the District has already identified a number of relevant records that SCO auditors apparently overlooked or failed to locate. These include:

1. Notification of truancy letters and/or individualized computer records confirming that notification of truancy letters were sent for 32 students in SCO’s audit sample. These should be credited to the District. A copy of these records is attached hereto as Exhibit “A.”

2. Approximately 400 notification of truancy letters for District high school students for the 2002-2003 school year. The quantity of these records far exceeds the number of such records that would be anticipated if the results of the SCO audit sample were accurate. Specifically, SCO appears to have credited only 1 notification of truancy letter out of 148 high school students sampled in 2002-2003. A copy of these records is attached hereto as Exhibit "B."

For these reasons, it is apparent that the audit sample results should not be credited at the present time, and that Finding 2, at present, is both inaccurate and incomplete.

As the District continues with its review of this matter, additional concerns with regard to the Draft Audit Report will likely be identified. Our preference is to address those concerns to SCO prior to issuance of any Final Audit Report.

Sincerely,



Socorro Barron
Senior Director of Pupil Support Services

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

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

SANTA ANA UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2004, through June 30, 2008



JOHN CHIANG
California State Controller

June 2010



JOHN CHIANG
California State Controller

June 23, 2010

Audrey Yamagata-Noji, Ph.D., President
Board of Education
Santa Ana Unified School District
1601 East Chestnut Avenue
Santa Ana, CA 92701-6322

Dear Dr. Yamagata-Noji:

The State Controller's Office audited the costs claimed by the Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

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/vb

cc: Jane A. Russo, Superintendent
Santa Ana Unified School District
Michael P. Bishop, Sr., Associate Superintendent
Santa Ana Unified School District
Kelvin Tsunezumi, Executive Director of Fiscal Services
Santa Ana Unified School District
Nancy Diaz-Miller, Senior Director of Pupil Support Services
Santa Ana Unified School District
William M. Habermehl, County Superintendent of Schools
Orange County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Angie Teng, Section Supervisor
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2004, through June 30, 2008.

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.

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, Santa Ana Unified School District claimed \$701,401 for costs of the Notification of Truancy Program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable.

For the fiscal year (FY) 2004-05 claim, the State paid the district \$220,198. Our audit disclosed that \$166,448 is allowable. The State will offset \$53,750 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$84,056 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$31,256. Our audit disclosed that \$95,414 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$64,158, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit disclosed that \$70,243 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on January 13, 2010. Michael P. Bishop, Sr., Associate Superintendent, Business Services, responded by letter dated February 12, 2010 (Attachment), disagreeing 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 the Santa Ana Unified School District, the Orange 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

June 23, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2004, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	15,420	11,656	(3,764)	Finding 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs ²	<u>\$ 220,198</u>	166,448	<u>\$ (53,750)</u>	
Less amount paid by the State		<u>(220,198)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (53,750)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	11,613	5,409	(6,204)	Finding 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs ²	<u>\$ 180,466</u>	84,056	<u>\$ (96,410)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,056</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	12,039	5,908	(6,131)	Finding 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs ²	<u>\$ 194,430</u>	95,414	<u>\$ (99,016)</u>	
Less amount paid by the State		<u>(31,256)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 64,158</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	6,152	4,065	(2,087)	Finding 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs ²	<u>\$ 106,307</u>	70,243	<u>\$ (36,064)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 70,243</u>		
<u>Summary: July 1, 2004, through June 30, 2008</u>				
Total program costs	<u>\$ 701,401</u>	\$ 416,161	<u>\$ (285,240)</u>	
Less amount paid by the State		<u>(251,454)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 164,707</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

**FINDING 1—
Overstated and understated initial truancy notifications claimed**

The district claimed unallowable costs totaling \$3,463. The costs are unallowable because:

- The district claimed a total number of initial truancy notifications each year that differed from the total number that the district’s records support. The district either overstated or understated the number during each fiscal year.
- The district claimed duplicate initial truancy notification letters for students who received more than one letter during a school year.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Number of initial notifications documented:					
Elementary school	2,503	2,689	2,339	1,027	
Secondary school	12,924	8,452	9,313	5,705	
Total initial truancy notifications documented	15,427	11,141	11,652	6,732	
Initial truancy notifications claimed	(15,420)	(11,613)	(12,039)	(6,152)	
Under/(over)stated initial truancy notifications	7	(472)	(387)	580	
Uniform cost allowance	×\$14.28	×\$15.54	×\$16.15	×\$17.28	
Audit adjustment	\$ 100	\$ (7,335)	\$ (6,250)	\$ 10,022	\$ (3,463)

The program’s parameters and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District’s Response

The district did not respond to this audit finding.

SCO’s Comment

We revised our audit finding to incorporate the fiscal year (FY) 2004-05 and FY 2007-08 understated initial truancy notifications that we previously included in Finding 2. Our recommendation is unchanged.

**FINDING 2—
Non-reimbursable
initial truancy
notifications claimed**

The district claimed non-reimbursable initial truancy notifications totaling \$281,778. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. We stratified the population into two groups, depending on whether the student was subject to daily or period attendance accounting.

We reviewed the district’s attendance records to verify whether sampled students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district’s attendance accounting system uses a two-part coding structure. A status code simply identifies that the student was absent or tardy. A reason code identifies whether the absence is excused or unexcused. The district provided lists that define the attendance absence codes for both elementary and secondary schools. The district identified the following absence reason codes as unexcused absences:

Code	Description
A	Unverified absence
H	Hooky/truant
T	Tardy truant—after 31 minutes
U	Unexcused absence

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during FY 2004-05 and FY 2005-06, and fewer than three unexcused absences or tardiness occurrences during FY 2006-07 and FY 2007-08.

The following table summarizes the unallowable initial truancy notifications claimed:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily Attendance Accounting:					
Number of unallowable truancy notifications	(100)	(78)	(77)	(86)	
Statistical sample size	÷ 142	÷ 142	÷ 141	÷ 131	
Unallowable percentage	(70.42)%	(54.93)%	(54.61)%	(65.65)%	
Number of initial truancy notifications documented	× 2,503	× 2,689	× 2,339	× 1,027	
Number of unallowable truancy notifications	(1,763)	(1,477)	(1,277)	(674)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	(25,176)	(22,953)	(20,624)	(11,647)	\$ (80,400)

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Period Attendance Accounting:					
Number of unallowable truancy notifications	(23)	(74)	(71)	(51)	
Statistical sample size	÷ 148	÷ 147	÷ 148	÷ 146	
Unallowable percentage	(15.54)%	(50.34)%	(47.97)%	(34.93)%	
Number of initial truancy notifications documented	× 12,924	× 8,452	× 9,313	× 5,705	
Number of unallowable truancy notifications	(2,008)	(4,255)	(4,467)	(1,993)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	<u>(28,674)</u>	<u>(66,123)</u>	<u>(72,142)</u>	<u>(34,439)</u>	<u>(201,378)</u>
Audit adjustment	<u>\$(53,850)</u>	<u>\$(89,076)</u>	<u>\$(92,766)</u>	<u>\$(46,086)</u>	<u>\$(281,778)</u>

Education Code section 48260, subdivision (a) (as amended in 1994), defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2004-05 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those pupils who meet the truancy definition provided in the parameters and guidelines.

In addition, we recommend that the district properly reflect the absence reason code for each student absence to identify whether the absence is excused or unexcused. We also recommend that the district establish specific absence reason codes to document when the district updates a student's absence from an unexcused absence to an excused absence after the district issues an initial truancy notification letter for the student.

District's Response

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records after the NOT was sent/received.

Attached to this memo is our supporting documentation. . . .

Subsequent to the district's response dated February 12, 2010, the district representative stated that the district considered all absences to be unexcused if the district's attendance records did not identify an absence reason code. The district also provided an electronic file to document changes to absence reason codes that occurred after the district issued an initial truancy notification letter for a student. This file also identified unexcused absences that were previously undocumented for some students.

SCO's Comment

Based on additional documentation that the district provided, we revised our finding to allow nine initial truancy notifications that we previously identified as unallowable in our draft audit report. We also revised our finding to exclude the FY 2004-05 and FY 2007-08 understated number of initial truancy notifications documented; these are now addressed in Finding 1.

We expanded our recommendation to address instances in which the district (1) does not identify the absence reason code in the student's attendance records; and (2) revises absence reason codes after it issues an initial truancy notification letter for a student.

In its February 12, 2010, response to our draft audit report, the district states, "Absence code 'A' (unverified) was not included in the auditor's attendance record sampling. . . ." The district is mistaken; we *did* include absence reason code "A" as a documented unexcused absence in determining whether students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district also submitted an electronic file summarizing the district's review of student's attendance records for those initial truancy notifications that we identified as unallowable in our draft audit report.

The following table summarizes the number of unallowable initial truancy notifications that we identified and the number that the district believes are unallowable:

	<u>Daily Attendance Accounting</u>	<u>Period Attendance Accounting</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(100)	(23)
Unallowable per district	<u>(52)</u>	<u>(23)</u>
Difference	<u>48</u>	<u>—</u>
Fiscal Year 2005-06:		
Unallowable per SCO	(79)	(77)
Unallowable per district	<u>(24)</u>	<u>(3)</u>
Difference	<u>55</u>	<u>74</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(77)	(73)
Unallowable per district	<u>(36)</u>	<u>(5)</u>
Difference	<u>41</u>	<u>68</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(86)	(54)
Unallowable per district	<u>(42)</u>	<u>(5)</u>
Difference	<u>44</u>	<u>49</u>

The documentation that the district submitted February 12, 2010, was insufficient to support any changes to the draft audit report.

The district stated that absences without a specified absence reason code are equivalent to unverified—and thus unexcused—absences. The district believes that the SCO should include these absences in determining whether students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant. We disagree. The district previously provided attendance reason codes that include a code specifically for unverified absences. The district provided no contemporaneous attendance accounting procedures, memorandum, policy statement, or other documents to support its statement regarding absences without a specified absence reason code. In addition, the district did not provide any additional documentation showing that the absences were unexcused.

On March 15, 2010, the district provided a second electronic file comprised of attendance records for 433 students. The attendance records identify nine additional students who accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. We revised our audit finding to account for these allowable initial truancy notifications. In addition, the district identified various students whose attendance reason codes were modified after the district issued an initial truancy notification letter. The district believes that the modified absence reason codes originally identified an unexcused absence, thus supporting the initial truancy notification. However, the district did not provide any documentation showing the original absence reason code. The documented absence reason codes did not identify the minimum number of unexcused absences or tardiness occurrences for these students to be classified as truant.

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



Santa Ana Unified School District

Michael P. Bishop, Sr.
Associate Superintendent,
Business Services

Jane Russo, Superintendent

February 12, 2010

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

RE: Notification of Truancy (NOT) Program Audit for Santa Ana Unified School District

Thank you for the opportunity to review your findings as it relates to the audit of our District's Notification of Truancy Program for the period of July 1, 2004 through June 30, 2008 and for extending the time period of our response till February 26, 2010

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records *after* the NOT was sent/received.

Attached to this memo is our supporting documentation. We will contact your office next week to schedule a conference call to fully explain our position. We will also send an electronic file of the supporting documentation to Messrs. Cobbinah and Howell.

If you have any questions, please contact me at (714) 558-5826.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Bishop" with a stylized flourish.

Michael P. Bishop, Sr., CBO
Associate Superintendent, Business Services

Attach.:

cc: John Hill Cobbinah, Audit Manager, Division of Audits
Ken Howell, Auditor, Division of Audits
Phil K. Urrable, Ed.D., Educational Consulting Services, Inc.
Margarita Ronquillo, Educational Consulting Services, Inc.
Jane A. Russo, Superintendent; Doreen Lohnes, Assistant Superintendent, Support Services
Nancy Diaz-Miller, Senior Director, Pupil Support Services; Kelvin Tsunezumi, Executive Director of Fiscal Services

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322, (714) 558-5501

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

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

SEQUOIA UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023,
Statutes of 1994; Chapter 19, Statutes of 1995; and
Chapter 69, Statutes of 2007

July 1, 2006, through June 30, 2009



JOHN CHIANG
California State Controller

May 2012



JOHN CHIANG
California State Controller

May 23, 2012

Alan Sarver, President
Board of Trustees
Sequoia Union High School District
480 James Avenue
Redwood City, CA 94062

Dear Mr. Sarver:

The State Controller's Office audited the costs claimed by the Sequoia Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for the mandated program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

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/bf

cc: James Lianides, Ed.D., Superintendent
Sequoia Union High School District
Enrique Navas, Assistant Superintendent
Administrative Services
Sequoia Union High School District
Martin Fuentes, Controller
Administrative Services
Sequoia Union High School District

Betty Anthes, Accountant/Auditor
Administrative Services
Sequoia Union High School District

Ken Bazan, Manager
Information Services
Sequoia Union High School District

Rod Hsiao, President, Board of Education
San Mateo County Office of Education

Scott Hannan, Director
School Fiscal Services Division
California Department of Education

Carol Bingham, Director
Fiscal Policy Division
California Department of Education

David Kopperud, Education Programs Consultant
State SARB
California Department of Education

Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance

Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Sequoia Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for the mandated program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance

with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2006, through June 30, 2009.

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.

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 Sequoia Union High School District claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on May 3, 2012. Enrique Navas, Assistant Superintendent, Administrative Services; Ken Bazan, Manager, Information Services; and Betty Anthes, Accountant-Auditor, Administrative Services agreed with the audit results. The district declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

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

May 23, 2012

Schedule 1— Summary of Program Costs July 1, 2006, through June 30, 2009

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	22,744	3,646	(19,098)	Findings 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 367,316	\$ 58,883	\$ (308,433)	
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs	<u>\$ 357,316</u>	48,883	<u>\$ (308,433)</u>	
Less amount paid by State		(9,501)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 39,382</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	18,803	3,499	(15,304)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 324,916</u>	\$ 60,463	<u>\$ (264,453)</u>	
Less amount paid by the State		(7)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,456</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	3,570	3,322	(248)	Findings 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	\$ 63,332	\$ 58,932	\$ (4,400)	
Less late filing penalty	(1,190)	(1,190)	—	
Total program costs	<u>\$ 62,142</u>	57,742	<u>\$ (4,400)</u>	
Less amount paid by the State		(14,081)		
Total direct and indirect costs		<u>\$ 43,661</u>		
<u>Summary: July 1, 2006, through June 30, 2009</u>				
Total costs	\$ 755,564	\$ 178,278	\$ (577,286)	
Less late filing penalty	(11,190)	(11,190)	—	
Total program costs	<u>\$ 744,374</u>	167,088	<u>\$ (577,286)</u>	
Less amount paid by the State		(23,589)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 143,499</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable initial truancy notifications

The district claimed unallowable costs totaling \$563,418. The costs are unallowable because the district overstated the number of allowable initial truancy notifications distributed.

For fiscal year (FY) 2006-07 and FY 2007-08, the district provided a list of students for whom it distributed initial truancy notifications. The number of notifications documented did not agree with the number of notifications claimed.

In addition, each list included unallowable notifications. For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2006-07	2007-08	
Number of notifications documented	3,884	3,879	
Less number of notifications claimed	<u>(22,744)</u>	<u>(18,803)</u>	
Overstated number of notifications	(18,860)	(14,924)	
Uniform cost allowance	× \$16.15	× \$17.28	
Audit adjustment	<u>\$ (304,589)</u>	<u>\$ (257,887)</u>	\$ (562,476)
Duplicate notifications	(23)	(33)	
Uniform cost allowance	<u>\$16.15</u>	<u>\$17.28</u>	
Audit adjustment	<u>\$ (372)</u>	<u>\$ (570)</u>	<u>(942)</u>
Total audit adjustment ¹	<u><u>\$ (304,961)</u></u>	<u><u>\$ (258,457)</u></u>	<u><u>\$ (563,418)</u></u>

¹ Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We also recommend that the district claim only one initial truancy notification per truant student for each school year.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$13,868. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications:

	Fiscal Year		
	2006-07	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(7)	(7)	(7)
Fewer than three total	(1)	(6)	(3)
Unallowable initial truancy notifications	<u>(8)</u>	<u>(13)</u>	<u>(10)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of unallowable initial truancy notifications from statistical sample	(8)	(13)	(10)	
Statistical sample size	÷ 144	÷ 144	÷ 144	
Unallowable percentage	(5.56)%	(9.03)%	(6.94)%	
Population sampled	× 3,861	× 3,846	× 3,570	
Extrapolated number of unallowable initial truancy notifications	(215)	(347)	(248)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	
Audit adjustment	<u>\$ (3,472)</u>	<u>\$ (5,996)</u>	<u>\$ (4,400)</u>	<u>\$ (13,868)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or

absent for more than any 30-minute period during the schoolday [*sic*] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

FINDING 3— Noncompliance with Education Code section 48260.5

The district disclosed that Redwood High School does not generate initial truancy notifications. The district did not claim any costs related to Redwood High School; therefore, there is no audit adjustment. However, the district did not comply with the Education Code.

Redwood High School is a continuation high school within the district. The district office issues initial truancy notification letters for Carlmont High School, Menlo-Atherton High School, Sequoia High School, and Woodside High School. However, Redwood High School is responsible for issuing notifications applicable to its own students.

The district reported to the California Department of Education that Redwood High School did have truant students during the audit period. A Redwood High School representative acknowledged that the school does not issue initial truancy notifications. The school issues only academic evaluation letters and a copy of the student's attendance record during six reporting periods throughout the school year. The academic evaluation letters are not initial truancy notifications.

Education Code section 48260.5 (effective during the audit period) states that upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian, by first-class mail or other reasonable means, of the following:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.

3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Education Code section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Recommendation

We recommend that the district comply with Education Code section 48260.5 for all students who attend the district's schools.

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

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

STOCKTON UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

January 2007



JOHN CHIANG
California State Controller

January 19, 2007

Jack McLaughlin, Ed.D., Superintendent
Stockton Unified School District
701 North Madison Street
Stockton, CA 95202

Dear Dr. McLaughlin:

The State Controller's Office audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 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: Wayne Martin, Executive Director-Business Services
Stockton Unified School District
Fredrick Wentworth, Ed.D., County Superintendent of Schools
San Joaquin 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	2
Conclusion	2
Views of Responsible Officials	3
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	5
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 11, 2006.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 to the State.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when the pupil is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, a pupil is initially classified as truant upon the fourth unexcused absence for mandate-reimbursement purposes.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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 Notification of Truancy Program for the period of July 1, 2001, 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 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 Stockton Unified School District claimed and was paid \$612,896 for costs of the Notification of Truancy Program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$122,542. Our audit disclosed that \$57,179 is allowable. The district should return \$65,363 to the State.

For FY 2002-03, the State paid the district \$230,432. Our audit disclosed that the entire amount is allowable.

For FY 2003-04, the State paid the district \$259,922. Our audit disclosed that \$254,581 is allowable. The district should return \$5,341 to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on November 29, 2006. Wayne Martin, Executive Director, Business Services, and Julie Penn, Director of CWA/Summer Programs/ECE, responded by letter dated December 20, 2006 (Attachment). This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Stockton Unified School District, the San Joaquin 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, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> ¹
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial truancy notifications	9,492	4,429	(5,063)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 122,542</u>	57,179	<u>\$ (65,363)</u>	
Less amount paid by the State		<u>(122,542)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (65,363)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	17,457	18,675	1,218	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Subtotal	230,432	246,509	16,077	
Less allowable costs that exceed costs claimed ²	<u>—</u>	<u>(16,077)</u>	<u>(16,077)</u>	
Total program costs	<u>\$ 230,432</u>	230,432	<u>\$ —</u>	
Less amount paid by the State		<u>(230,432)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	19,028	18,637	(391)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs	<u>\$ 259,922</u>	254,581	<u>\$ (5,341)</u>	
Less amount paid by the State		<u>(259,922)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,341)</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Total program costs	<u>\$ 612,896</u>	\$ 542,192	<u>\$ (70,704)</u>	
Less amount paid by the State		<u>(612,896)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (70,704)</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 2002-03.

Findings and Recommendations

FINDING 1— Overclaimed and underclaimed initial truancy notifications

The district's attendance records did not support the number of initial truancy notification forms that the district reported on its mandated claims. In each fiscal year, the district either overclaimed or underclaimed the number of initial truancy notifications. For all fiscal years combined, the district claimed 2,368 initial truancy notifications that were not supported by the district's records. Unallowable costs totaled \$29,588.

For fiscal year (FY) 2001-02, the district provided elementary school truancy notification logs and middle school automated attendance records to support initial truancy notifications. The records did not support the number of initial truancy notifications that the district claimed for these schools. In addition, a district representative notified us that the district had no records to support high school initial truancy notifications claimed. The district representative stated that the district discarded the records when counselors transferred or retired. For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports showing that the district underclaimed the total number of initial truancy notifications for each fiscal year.

Parameters and Guidelines requires the district to provide documentation that shows the total number of initial truancy notifications distributed. In addition, *Parameters and Guidelines* requires the district to maintain records for a period of three years from the date of final payment by the SCO.

The following table summarizes the overclaimed and underclaimed initial truancy notifications and resulting audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Initial truancy notifications supported by district records	4,527	19,554	19,528	
Less initial truancy notifications claimed	<u>(9,492)</u>	<u>(17,457)</u>	<u>(19,028)</u>	
Underclaimed/(overclaimed) initial truancy notifications	(4,965)	2,097	500	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (64,098)</u>	<u>\$ 27,680</u>	<u>\$ 6,830</u>	<u>\$ (29,588)</u>

Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by *Parameters and Guidelines*.

District's Response

While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

The district alleges that reimbursement deferrals lengthened the "normal" documentation retention requirements and implies that the lengthened retention requirements contributed to the inadvertent record destruction. *Government Code* Section 17558.5 (effective January 1, 2003) states that a reimbursement claim is "subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later." The district submitted its FY 2001-02 mandated claim on January 15, 2003. Therefore, the district's FY 2001-02 claim was subject to audit until January 15, 2006. We conducted an entrance conference for this audit on January 24, 2005, at which time the district was required to provide all documentation that supports the district's claim. As a result, the reimbursement deferrals did not affect the record retention requirements for this claim.

Government Code Section 17558.5 and *Parameters and Guidelines* identify the audit authority and record retention requirements applicable to mandated cost claims. It is the district's responsibility to be familiar with, and comply with, these requirements.

FINDING 2— Nonreimbursable initial truancy notifications

The district claimed unallowable costs totaling \$25,039 for initial truancy notifications that were not reimbursable. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on grade level, we stratified the population into two groups: elementary students, and middle and high school students.

For FY 2001-02, we selected our elementary school sample from the total number of initial truancy notifications documented by truancy notification logs. We selected our middle school sample from the total number of initial truancy notifications documented by automated attendance records (the district had no records for high school students during this fiscal year). For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports for those elementary school students who accumulated between 3 and 5 unexcused daily absences and those middle and high school students who accumulated between 18 and 35 unexcused school period absences. We selected our FY 2002-03 and FY 2003-04 samples from these reports. The following table shows the population and sample sizes.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Population:				
Elementary schools	1,944	3,876	3,983	9,803
Middle/high schools	2,583	3,455	3,576	9,614
Total	<u>4,527</u>	<u>7,331</u>	<u>7,559</u>	<u>19,417</u>
Sample size:				
Elementary schools	139	144	145	428
Middle/high schools	142	144	144	430
Total	<u>281</u>	<u>288</u>	<u>289</u>	<u>858</u>

The district claimed unallowable initial truancy notifications for students who accumulated less than four unexcused absences or tardies during the fiscal year. The following table summarizes the number of unallowable initial truancy notifications that we identified from the samples, the percentage unallowable, and the projected audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
<u>Elementary Schools</u>				
Unallowable initial truancy notifications	\$ (7)	\$ (30)	\$ (27)	
Sample size	÷ 139	÷ 144	÷ 145	
Percentage of unallowable initial truancy notifications	(5.04)%	(20.83)%	(18.62)%	
Population sampled	× 1,944	× 3,876	× 3,983	
Projected unallowable initial truancy notifications	<u>\$ (98)</u>	<u>(807)</u>	<u>(742)</u>	
<u>Middle/High Schools</u>				
Unallowable initial truancy notifications	—	(3)	(6)	
Sample size	÷ 142	÷ 144	÷ 144	
Percentage of unallowable initial truancy notifications	0.00%	(2.08)%	(4.17)%	
Population sampled	× 2,583	× 3,455	× 3,576	
Projected unallowable initial truancy notifications	<u>—</u>	<u>(72)</u>	<u>(149)</u>	
<u>Totals</u>				
Total unallowable initial truancy notifications	(98)	(879)	(891)	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (1,265)</u>	<u>\$ (11,603)</u>	<u>\$ (12,171)</u>	<u>\$ (25,039)</u>

Education Code Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, *Parameters and Guidelines* states that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Because *Parameters and Guidelines* has not been amended, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardies on four or more days.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in *Parameters and Guidelines*.

District's Response

While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260 defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

We agree that *Parameters and Guidelines* conflicts with *Education Code* Section 48260(a) regarding the definition of a truant pupil. Chapter 1023, Statutes of 1994, effective January 1, 1995, amended *Education Code* Section 48260 to state that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. Chapter 19, Statutes of 1995, subsequently

renumbered this section to 48260(a). However, *Parameters and Guidelines*, last amended on July 22, 1993, requires that pupils accumulate four or more unexcused absences to be classified as truant.

Government Code Section 17551(c) requires districts to file a test claim not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. Because no district filed a test claim relative to Chapter 1023, Statutes of 1994, within the time allowed, *Parameters and Guidelines* was not amended. Therefore, although districts are required to identify pupils as truant upon the third unexcused absence, the mandated program reimburses districts for only those pupils who accumulate four or more unexcused absences.

We agree that an effort should be made by interested parties to eliminate differences between *Parameters and Guidelines* and the *Education Code*. We will explore alternatives with legislative representatives to resolve this issue.

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



BUSINESS SERVICES

Wayne Martin, Executive Director, Business Services
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Stockton, CA 95202-1687
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December 20, 2006

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Notification of Truancy
July 1, 2001 through June 30, 2003

Dear Mr. Spano:

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy program (NOT) (Chapter 498, Statutes of 1983) for the period of July 1, 2001 through June 30, 2004. The District extends its appreciation for the professional courtesy of SCO staff shown during this audit. The District also appreciates this opportunity to respectfully respond to the SCO's findings.

Please note that this letter does not represent a complete list of the District's disagreements with the draft audit report, and that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Disallowed costs based on non-reimbursable initial truancy notifications.

It is our understanding, from the exit conference, Finding II and the draft audit report, that the SCO found \$25,039 of total costs claimed for FY's 01/02-03/04 to be unallowable because the district claimed "initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program" (SCO draft audit report, pg six). While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260

Jim L. Spano, CPA/Chief, Compliance Audits Bureau
Division of Audits, State Controllers Office
Re: Habitual Truancy 7/1/01 – 6/30/03
December 20, 2006
Page 2

defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

Disallowed costs based on unsupported truancy notifications.

It is our understanding, from the exit conference, Finding I and the draft audit report, that the SCO found \$29,588 of total costs claimed for FY's 01/02-03/04 to be unallowable because the District was unable to produce support documentation requested by the SCO (SCO draft audit report, pg five). While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

Sincerely,



Wayne Martin
Executive Director, Business Services



Julie Penn
Director of CWA/ Summer Programs/ECE

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

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

STOCKTON UNIFIED SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2005, through June 30, 2009



JOHN CHIANG
California State Controller

October 2012



JOHN CHIANG
California State Controller

October 24, 2012

Sara L. Cazares, President
Board of Education
Stockton Unified School District
701 N. Madison Street
Stockton, CA 95202

Dear Ms. Cazares:

The State Controller's Office audited the costs claimed by Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

This revised final report supersedes our previous report dated October 27, 2010. Our original report identified unallowable costs totaling \$965,242 for fiscal year (FY) 2006-07, FY 2007-08, and FY 2008-09 because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$603,276 for the audit period.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, 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 website 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/vb

cc: Steve Lowder, Ed.D., Superintendent
Stockton Unified School District
Wayne Martin, Chief Business Official
Stockton Unified School District
Dee Alimbini, Administrator
Child Welfare and Attendance
Stockton Unified School District
Anthony J. Gutierrez, President
Board of Education
San Joaquin County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations.....	6
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, January 31, 2008, and May 27, 2010. 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 Notification of Truancy Program for the period of July 1, 2005, through June 30, 2009.

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 did not submit a representation letter.

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, Stockton Unified School District claimed \$1,304,263 for costs of the Notification of Truancy Program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State paid the district \$304,009 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 through FY 2008-09 claims, the State made no payment to the district. Our audit disclosed that \$603,276 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 25, 2010. Jason Willis, Chief Financial Officer, responded by letter dated September 21, 2010 (Attachment), disagreeing with the audit results. We issued our original final audit report on October 27, 2010.

Subsequently, we revised Finding 3 to allow partial reimbursement for noncompliant initial truancy notifications distributed during FY 2006-07, FY 2007-08, and FY 2008-09. As a result, we revised Finding 3 to reduce the audit adjustment from \$965,242 to \$361,966. On October 9, 2012, we notified Wayne Martin, Chief Business Official, of the final audit report revisions. Mr. Martin did not comment on the revisions.

Restricted Use

This report is solely for the information and use of Stockton Unified School District, the San Joaquin 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

October 24, 2012

**Revised Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	21,816	19,563	(2,253)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 339,021</u>	304,009	<u>\$ (35,012)</u>	
Less amount paid by the State ²		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	19,260	19,260	—	
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	<u>\$ 311,049</u>	\$ 311,049	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(116,643)</u>	<u>(116,643)</u>	Finding 3
Total program costs	<u>\$ 311,049</u>	194,406	<u>\$ (116,643)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 194,406</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	18,909	18,909	—	
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	<u>\$ 326,748</u>	\$ 326,748	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,531)</u>	<u>(122,531)</u>	Finding 3
Total program costs	<u>\$ 326,748</u>	204,217	<u>\$ (122,531)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,217</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	18,458	18,458	—	
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	<u>\$ 327,445</u>	\$ 327,445	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,792)</u>	<u>(122,792)</u>	Finding 3
Total program costs	<u>\$ 327,445</u>	204,653	<u>\$ (122,792)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,653</u>		

Revised Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>Summary: July 1, 2005, through June 30, 2009</u>				
Total program costs	<u>\$ 1,304,263</u>	\$ 907,285	<u>\$ (396,978)</u>	
Less amount paid by the State		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 603,276</u>		

¹ See the Revised Findings and Recommendations section.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Revised Findings and Recommendations

**FINDING 1—
Overstated, understated,
and unallowable initial
truancy notifications**

For fiscal year (FY) 2005-06, the district claimed costs for initial truancy notifications that were unallowable or not supported by the district’s records. Unallowable costs total \$8,796.

The number of initial truancy notifications claimed did not agree with the number documented in the district’s records. In addition, we reviewed the district’s records and identified unallowable initial truancy notifications attributable to:

- Notifications distributed in calendar years 1998 and 1999.
- Notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- Duplicate initial truancy notifications. This occurred because the district distributed more than one notification during the school year for the same student.

The following table summarizes the audit adjustment:

	Attendance Accounting Method		Total
	Daily	Period	
Number of initial truancy notifications documented	8,759	13,323	22,082
Less number of initial truancy notifications distributed in 1998 and 1999	(11)	(79)	(90)
Less number of initial truancy notifications distributed to charter school students	(7)	(9)	(16)
Less duplicate initial truancy notifications	(164)	(562)	(726)
Allowable initial truancy notifications	8,577	12,673	21,250
Less number of initial truancy notifications claimed	(8,784)	(13,032)	(21,816)
Unallowable initial truancy notifications	(207)	(359)	(566)
Uniform cost allowance	×\$15.54	×\$15.54	
Audit adjustment ¹	\$ (3,218)	\$ (5,578)	\$ (8,796)

¹ Calculation differences due to rounding.

The program’s parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year. We recommend that the district exclude from this count those notifications that it distributes for charter school students and duplicate notifications that it distributes for the same student.

District’s Response

The district concurred with the audit finding regarding duplicate initial truancy notifications and notifications distributed in calendar years 1998 and 1999.

The district had the following comments regarding initial truancy notifications issued for charter school students:

The SCO’s position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in January 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO’s claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

SCO’s Comment

Our finding and recommendation are unchanged. The district states, “The SCO is applying a new position retroactively to a time period when the prohibition did not exist.” We disagree. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates (CSM) issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560. Therefore, both the statutory language and the CSM’s statement of decision were effective before the district submitted its mandated cost claims.

**FINDING 2—
Non-reimbursable
initial truancy
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$26,216 for FY 2005-06. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district's records identify those students for whom the district issued a "Letter 1," Letter 2," or "Letter 3." The initial truancy notification is Letter 1. The district issues Letter 2 and Letter 3 when the student accumulates additional unexcused absences after the district issued the initial truancy notification.

We stratified the population of allowable initial truancy notifications documented in Finding 1 to identify those students for whom the district issued Letter 1 only. These students accumulated the fewest number of unexcused absences. We excluded students who attended school on a year-round schedule.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we further stratified these students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. The district issued only Letter 1 for 4,230 students subject to daily attendance accounting and 3,505 students subject to period attendance accounting.

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed non-reimbursable initial truancy notifications for the following reasons:

- Students accumulated only three unexcused absences or tardiness occurrences.
- Students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications:

	Fiscal Year 2005-06
<u>Daily Attendance Accounting</u>	
Accumulated only three unexcused absences and tardiness occurrences	(31)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(9)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(12)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(52)</u>

Fiscal Year
2005-06Period Attendance Accounting

Accumulated only three unexcused absences and tardiness occurrences	(3)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(2)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(2)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>

The following table summarizes the number of unallowable initial truancy notifications identified from the sample, the sample size, the unallowable percentage, the extrapolated number of unallowable initial truancy notifications, and the audit adjustment:

Fiscal Year
2005-06Daily Attendance Accounting

Number of unallowable initial truancy notifications from sample	(52)
Sample size	<u>÷ 145</u>
Unallowable percentage	(35.86)%
Population sampled	<u>× 4,230</u>
Extrapolated number of unallowable initial truancy notifications	(1,517)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, daily attendance accounting	<u>(23,574)</u>

Period Attendance Accounting

Number of unallowable initial truancy notifications from sample	(7)
Sample size	<u>÷ 144</u>
Unallowable percentage	(4.86)%
Population sampled	<u>× 3,505</u>
Extrapolated number of unallowable initial truancy notifications	(170)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, period attendance accounting	<u>(2,642)</u>
Audit adjustment	<u>\$ (26,216)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the CSM did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between the ages of 6 and 18 years.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District's Response

... The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's) ...

1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's and G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min [*sic*] tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to sent notifications according to *E.C.* yet reimbursement was limited by dated P's & G's.

SCO's Comment

Our finding and recommendation are unchanged. The district states, "The SCO determined that the District sent notifications *prior to the required number of absences* [emphasis added]. . . ." The district's statement is inaccurate. The notifications are unallowable because the

district's records show that the students did not accumulate the required number of unexcused absences and/or tardiness occurrences at any time during the school year.

We agree that the district is required to comply with Education Code section 48260.5. However, mandate-related reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. We disagree that "an unfunded mandate was placed on the district." Pursuant to Government Code section 17550 et al, school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

**FINDING 3—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$361,966 for FY 2006-07, FY 2007-08, and FY 2008-09. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

For FY 2006-07, FY 2007-08, and FY 2008-09, the district distributed initial truancy notifications that did not include the last three items identified above.

As a result, 3/8 (37.5%) of the unit cost allowance is unallowable for each notification. The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of noncompliant initial truancy notifications	19,260	18,909	18,458	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	
Subtotal	311,049	326,748	327,445	
Unallowable percentage	× (37.5)%	× (37.5)%	× (37.5)%	
Audit adjustment	<u>\$ (116,643)</u>	<u>\$ (122,531)</u>	<u>\$ (122,792)</u>	<u>\$ (361,966)</u>

Recommendation

We recommend that the district revise its initial truancy notification to comply with the minimum requirements specified in the parameters and guidelines.

District's Response

The SCO's finding is based on language missing from the notification . . . The District acknowledges the notifications were indeed missing these [three] components and has updated the language of the current notification. The District stresses however it was meeting the primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) ". . . 1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. . . .

SCO's Comment

Subsequent to our final audit report issued October 27, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district confirmed that its initial truancy notifications did not include all elements required by the parameters and guidelines. The district infers that there are three separate and distinct reimbursable activities associated with the initial truancy notification process. We disagree. The CSM amended the parameters and guidelines on January 31, 2008, with an effective date of July 1, 2006. Section IV, subsection B.2, identifies a single ongoing reimbursable activity, "notification process," as follows:

IV. REIMBURSABLE COSTS

B. Reimbursable Activities

2. Notification process—On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping *to provide parents/guardians with the following required information* [emphasis added] upon a pupil's initial classification as a truant

The district did not provide all of the required information to parents/guardians. Therefore, we prorated the allowable unit cost allowance based on the number of required items missing from each noncompliant initial truancy notification.

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



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SUPERINTENDENT
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September 21, 2010

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
Division of Audits
State Controllers Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

This letter responds to the draft audit report issued by the State Controller's Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2005/06 through 2008/09. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates the opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1) Overstated, understated and unallowable truancy notifications:

The District claimed costs for 21,816 initial truancy notifications for FY's 2005/06. Of that total, the SCO disallowed 566 notifications related to; Notifications sent in prior fiscal years; Notification sent to charter school students and; Notifications counted twice. The majority of the disallowed notifications are due to duplicate count.

- 1) The SCO's position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in Jan 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO's claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible

September 21, 2010

Page Two

Re: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

- 2) The District regrets the disallowance related to including notifications made in prior years and duplicate notifications and has no issues regarding this part of the finding.

Finding 2) Non-reimbursable truancy notifications:

The SCO is disallowing an additional 1,687 initial truancy notifications of the 21,816 claimed, for FY 2005/06. The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's). The number of disallowed notices was arrived at by statistical sampling.

1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's & G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to send notification according to *E.C.* yet reimbursement was limited by dated P's & G's.

Finding 3) Non-compliant initial truancy notifications:

The District claimed costs for 19,260 truancy notifications sent for FY 2006/07, 18,909 for FY 2007/08 and 18,458 for 2008/09 totaling \$965,242 in claimed costs. The SCO has disallowed all 56,627 notifications resulting in zero allowable costs.

September 21, 2010

Page Three

Re: Stockton Unified School District
Notification of Truancy
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2005/06 thru 2008/09

- 1) The SCO's finding is based on language missing from the notification. Education code §48260.5 (a-h) describes the necessary contents of the notice. There are eight components and the notifications being disallowed did not contain the components §48260.5 [f] ("That the pupil may be subject to prosecution under Section 48264"), §48260.5 [g] ("That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege...") and §48260.5[h] ("That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day."). The District acknowledges the notifications were indeed missing these components and has updated the language of the current notification. The District stresses however it was meeting its primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) "...1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. The District urges the SCO to reconsider its position.

The District thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,



Jason Willis
Chief Financial Officer

JW:ddb

C: Wayne Martin, Executive Director, Business Services
Dee Alimbini, Administrator, Child Welfare & Attendance
Joe Rombold, School Innovations & Advocacy

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

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

SWEETWATER UNION HIGH SCHOOL DISTRICT

Revised Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2000, through June 30, 2002



STEVE WESTLY
California State Controller

October 2005



STEVE WESTLY
California State Controller

October 7, 2005

Bruce A. Husson, Superintendent
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, CA 91911-2896

Dear Mr. Husson:

The State Controller's Office audited the claims filed by the Sweetwater Union High School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$501,643 for the mandated program. Our audit disclosed that \$472,974 is allowable and \$28,669 is unallowable. The unallowable costs occurred because the district overstated the number of reimbursable initial truancy notification forms distributed. The district was paid \$285,878. Allowable costs claimed in excess of the amount paid total \$187,096.

This revised final report supersedes our previous final report, issued on October 28, 2004. We revised the report to remove the audit results for fiscal year 1999-2000.

If you disagree with the audit finding, 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/ams

cc: Dr. Rudy M. Castruita, County Superintendent of Schools
San Diego County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Educational Consultant
School Fiscal Services Division
California Department of Education
Gerry Shelton, Director
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California Department of Education
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Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Follow-up Correspondence	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Finding and Recommendation.....	5
Attachment—District’s Response to Draft Audit Report	

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Sweetwater Union High School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was October 3, 2003.

The district claimed \$501,643 for the mandated program. The audit disclosed that \$472,974 is allowable and \$28,669 is unallowable. The unallowable costs occurred because the district overstated the number of reimbursable initial truancy notification forms distributed. The district was paid \$285,878. Allowable costs claimed in excess of the amount paid total \$187,096.

Background

Education Code Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school district's, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandated and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. 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

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

We performed the following procedures.

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO 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 amounts claimed for reimbursement were supported.

We limited our review of the district's management controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The 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 Sweetwater Union High School District claimed \$501,643 for costs of the Notification of Truancy Program. Our audit disclosed that \$472,974 is allowable and \$28,669 is unallowable.

For FY 2000-01, the district was paid \$104,070 by the State. Our audit disclosed that \$230,744 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$126,674, will be paid by the State based on available appropriations.

For FY 2001-02, the district was paid \$181,808 by the State. Our audit disclosed that \$242,230 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$60,422, will be paid by the State based on available appropriations.

**Views of
Responsible
Official**

We issued a draft report on December 5, 2003. Lawrence Hendee, Coordinator/Mandated Costs, Sweetwater Union High School District, responded by letter dated January 12, 2004. The district neither agreed nor disagreed with the finding. The district's response was included in as an attachment in the final report issued October 28, 2004.

**Follow-up
Correspondence**

In a letter to COSM, dated June 20, 2005, the district questioned our authority to audit the FY 1999-2000 claim because the statute of limitations for initiating an audit had expired. We have two years following the end of the calendar year in which the claim was filed to initiate an audit. The SCO logged in the district's claim on January 16, 2001. Therefore, our audit, initiated on January 15, 2003, was within the statutory period to initiate an audit. However, in response to the district's letter, we reviewed the filed claims and noticed that the claim should have been logged in on December 29, 2000. Consequently, the audit was not started within the statutory time period. Therefore, the audit results for FY 1999-2000 have been removed from this revised final report.

Restricted Use

This report is solely for the information and use of the 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

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2000, through June 30, 2001</u>			
Number of truancy notifications	19,155	18,126	(1,029)
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73
Total costs	<u>\$ 243,843</u>	\$ 230,744	<u>\$ (13,099)</u>
Less amount paid by the State		<u>(104,070)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 126,674</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Number of truancy notifications	19,969	18,763	(1,206)
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91
Total costs	<u>\$ 257,800</u>	\$ 242,230	<u>\$ (15,570)</u>
Less amount paid by the State		<u>(181,808)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,422</u>	
<u>Summary: July 1, 2000, through June 30, 2002</u>			
Total costs	<u>\$ 501,643</u>	\$ 472,974	<u>\$ (28,669)</u>
Less amount paid by the State		<u>(285,878)</u>	
Total allowable costs claimed in excess of (less than) amount paid		<u>\$ 187,096</u>	

¹ See the Finding and Recommendation section.

Revised Finding and Recommendation

**FINDING—
Overclaimed number
of initial truancy
notification forms
distributed**

The district claimed \$28,669 during the audit period for initial truancy notification forms distributed to a pupil's parent or guardian that were not reimbursable. The pupils did not accumulate the number of unexcused absences necessary to be classified as truant under the mandated program. The audit adjustment is summarized as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Allowable costs per audit	\$ 230,744	\$ 242,230	\$ 472,974
Less actual costs claimed	<u>(243,843)</u>	<u>(257,800)</u>	<u>(501,643)</u>
Audit adjustment	<u>\$ (13,099)</u>	<u>\$ (15,570)</u>	<u>\$ (28,669)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population.

We reviewed truancy notification forms and attendance records for a random sample of 149 pupils claimed as truant in each fiscal year. The forms contained the five specified elements required by the mandate. However, the attendance records showed that various pupils had less than four unexcused absences. Initial truancy notifications for these pupils are unallowable. The number of unallowable truancy notifications identified in the sample, the unallowable percentage, and the projected audit adjustment are summarized below.

	Fiscal Year		Total
	2000-01	2001-02	
Number of unallowable truancy notifications	8	9	
Truant pupils sampled	÷ 149	÷ 149	
Unallowable percentage	(5.37)%	(6.04)%	
Truancy notifications claimed	× 19,155	× 19,969	
Projected unallowable truancy notifications	(1,029)	(1,206)	
Uniform cost allowance	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (13,099)</u>	<u>\$ (15,570)</u>	<u>\$ (28,669)</u>

Parameters and Guidelines, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

Parameters and Guidelines, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to parents or guardians contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require three additional elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complied with the five specified elements in the guidelines.

Parameters and Guidelines states that a truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

Recommendation

We recommend the district claim reimbursement under the Notification of Truancy Program only for truancy notifications applicable to pupils who are absent from school without valid excuse or tardy more than 30 minutes for more than three days in one school year. Although *Education Code* Section 48260(a) (as amended in 1994), defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, *Parameters and Guidelines* requires at least four unexcused absences for the pupil to be classified as a reimbursable truant.

In addition, we recommend the district update its initial truancy notification form to include the eight specified elements required by the *Education Code*.

District's Response

I have examined the audit dated December 5, 2003. I have no comments regarding the accuracy of the information presented.

This memo should not be understood to waive any rights to recover funding through any administrative or other avenues available to the district.

SCO's Comment

The finding remains unchanged.

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



MANDATED COSTS
1130 Fifth Avenue
Chula Vista CA 91911-2896
(619) 585-4450

January 12, 2004

Jim Spano, Chief
Compliance Audits Bureau
State Controller's Office
Box 942850
Sacramento CA 94250-5874

RE: Sweetwater Union High School District
Chapter 498, Statutes of 1983
Notification of Truancy Audit

Dear Mr. Spano,

I have examined the audit dated December 5, 2003. I have no comments regarding the accuracy of the information presented.

This memo should not be understood to waive any rights to recover funding through any administrative or other avenues available to the district.

Thank you for the opportunity to respond.

Sincerely,

Lawrence L. Hendee
Coordinator/Mandated Costs

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

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

S03-MCC-023

SWEETWATER UNION HIGH SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983;
Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995;
and Chapter 69, Statutes of 2007

July 1, 2006, through June 30, 2010



JOHN CHIANG
California State Controller

April 2012



JOHN CHIANG
California State Controller

April 11, 2012

Pearl Quiñones, President
Board of Trustees
Sweetwater Union High School District
1130 Fifth Ave
Chula Vista, CA 91911-2896

Dear Ms. Quinoñes:

The State Controller's Office audited the costs claimed by the Sweetwater Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable. The costs are unallowable because the district claimed unallowable and noncompliant initial truancy notifications. The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

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/bf

cc: Edward Brand, Ed.D., Interim Superintendent
Sweetwater Union High School District
Dianne Russo, Acting Deputy Superintendent
Fiscal Services
Sweetwater Union High School District
Karen Michel, Director
Fiscal Services
Sweetwater Union High School District
Sharon Moreno, Accounting Technician
Fiscal Services
Sweetwater Union High School District
Randolph E. Ward, Ed.D., Superintendent of Schools
San Diego County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	6

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Sweetwater Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable. The costs are unallowable because the district claimed unallowable and noncompliant initial truancy notifications. The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance

with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

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.

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 Sweetwater Union High School District claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable.

The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on March 21, 2012. Karen Michel, Director, Fiscal Services; and Sharon Moreno, Accounting Technician, Fiscal Services, agreed with the audit results. Regarding Finding 1, the district stated that it has revised its truancy notification procedures to eliminate the possibility of issuing and claiming more than one initial truancy notification per student during a school year. Ms. Michel declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

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

April 11, 2012

Schedule 1— Summary of Program Costs July 1, 2006, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	22,315	23,358	1,043	Finding 1
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Subtotal ²	\$ 360,387	\$ 377,232	\$ 16,845	
Noncompliant initial truancy notifications	-	(47,154)	(47,154)	Finding 2
Total program costs	<u>\$ 360,387</u>	330,078	<u>\$ (30,309)</u>	
Less amount paid by the State		(58,418)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,660</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	26,710	26,476	(234)	Finding 1
Uniform cost allowance	x \$17.28	x \$17.28	x \$17.28	
Subtotal ²	\$ 461,549	\$ 457,505	\$ (4,044)	
Noncompliant initial truancy notifications	-	(57,188)	(57,188)	Finding 2
Total program costs	<u>\$ 461,549</u>	400,317	<u>\$ (61,232)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 400,317</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	20,734	21,766	1,032	Finding 1
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Subtotal ²	\$ 367,821	\$ 386,129	\$ 18,308	
Noncompliant initial truancy notifications	-	(48,266)	(48,266)	Finding 2
Less late filing penalty	(954)	(954)	-	
Total program costs	<u>\$ 366,867</u>	336,909	<u>\$ (29,958)</u>	
Less amount paid by the State		(83,126)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 253,783</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	13,372	13,372	-	Finding 1
Uniform cost allowance	x \$17.87	x \$17.87	x \$17.87	
Subtotal ²	\$ 238,958	\$ 238,958	\$ -	
Noncompliant initial truancy notifications	-	(29,870)	(29,870)	Finding 2
Less late filing penalty	(4,453)	(4,453)	-	
Total program costs	<u>\$ 234,505</u>	204,635	<u>\$ (29,870)</u>	
Less amount paid by the State		(46,061)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 158,574</u>		
<u>Summary: July 1, 2006, through June 30, 2010</u>				
Total costs	\$ 1,428,715	\$ 1,277,346	\$ (151,369)	
Less late filing penalty	(5,407)	(5,407)	-	
Total program costs	<u>\$ 1,423,308</u>	1,271,939	<u>\$ (151,369)</u>	
Less amount paid by the State		(187,605)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,084,334</u>		

¹ See the Findings and Recommendations section.

² Calculation differences due to rounding.

Findings and Recommendations

FINDING 1— Overstated and understated allowable initial truancy notifications

The district overstated or understated the number of allowable initial truancy notifications distributed for each fiscal year. For the audit period, the district understated claimed costs by \$31,109.

For each fiscal year, the district provided a list of students for whom it distributed initial truancy notifications. The number of notifications documented did not agree with the number of notifications claimed. In addition, each list included unallowable notifications. We identified the following issues from the notifications documented:

- For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's *initial* truancy notification is the only notification eligible for mandated program reimbursement.
- The district distributed notifications for charter school students during fiscal year (FY) 2007-08 and FY 2008-09. Charter school activities are not eligible for mandated program reimbursement.

The following table details the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of notifications documented	23,467	26,781	22,294	
Less number of notifications claimed	(22,315)	(26,710)	(20,734)	
Understated number of notifications	1,152	71	1,560	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Audit adjustment	\$ 18,605	\$ 1,227	\$ 27,674	\$ 47,506
Duplicate notifications	(109)	(302)	(522)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Audit adjustment	\$ (1,760)	\$ (5,219)	\$ (9,260)	(16,239)
Charter school student notifications	-	(3)	(6)	
Uniform cost allowance	x \$16.15	\$17.28	x \$17.74	
Audit adjustment	\$ -	\$ (52)	\$ (106)	(158)
Total audit adjustment ¹	\$ 16,845	\$ (4,044)	\$ 18,308	\$ 31,109

¹ Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial truancy notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those notifications distributed for charter school students and multiple notifications distributed for the same student during the school year.

FINDING 2— Noncompliant initial truancy notifications

The district claimed unallowable costs totaling \$182,478. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Education Code section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed notifications that did not include the eighth item above. Therefore, we allowed only 87.5% (7/8) of the unit cost allowance for each notification.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Number of notifications claimed	22,315	26,710	20,734	13,372	
Adjustments from Finding 1:					
Understated notifications	1,152	71	1,560	-	
Duplicate notifications	(109)	(302)	(522)	-	
Charter school notifications	-	(3)	(6)	-	
Allowable notifications	23,358	26,476	21,766	13,372	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	\$ 377,232	\$ 457,505	\$ 386,129	\$ 238,958	
Unallowable percentage	x (12.5)%	x (12.5)%	x (12.5)%	x (12.5)%	
Audit adjustment	\$ (47,154)	\$ (57,188)	\$ (48,266)	\$ (29,870)	\$ (182,478)

Recommendation

We recommend that the district ensure that all initial truancy notifications comply with the minimum requirements specified in the parameters and guidelines.

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

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

TWIN RIVERS UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

July 1, 2010, through June 30, 2012



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 5, 2015

Rebecca Sandoval, President
Board of Trustees
Twin Rivers Unified School District
3222 Winona Way
North Highlands, CA 95660

Dear Ms. Sandoval:

The State Controller's Office audited the costs claimed by the Twin Rivers Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$376,812 for the mandated program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/gj

cc: Steven Martinez, Ed.D., Superintendent
Twin Rivers Unified School District
Bill McGuire, Deputy Superintendent
Twin Rivers Unified School District
Kate Ingersoll, Executive Director Fiscal Services
Twin Rivers Unified School District
Robert Roach, Budget Technician
Twin Rivers Unified School District
Keith Nezaam, Staff Finance Budget Analyst
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District Fiscal Services
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Peter Foggiato, Director
School Fiscal Services Division
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Amy Tang-Paterno, Education Fiscal Services Consultant
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Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations.....	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Twin Rivers Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$376,812 for the mandated program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandated and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2010, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found 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 Twin Rivers Unified School District claimed \$376,812 for costs of the Notification of Truancy Program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable.

The State made no payments to the district. Our audit found that \$366,355 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the district's representatives during an exit conference conducted on April 20, 2015. Kate Ingersoll, Executive Director of Fiscal Services; and Robert Roach, Budget Technician, agreed with the audit results. Ms. Ingersoll declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Twin Rivers Unified School District, the Sacramento County Office 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, CPA
Chief, Division of Audits

June 5, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	9,345	9,345	—	
Uniform cost allowance	× \$18.29	× \$18.29	× —	
Total program costs ²	<u>\$ 170,920</u>	\$ 170,920	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 170,920</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	10,888	10,335	(553)	Findings 1 & 2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs ²	<u>\$ 205,892</u>	195,435	<u>\$ (10,457)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 195,435</u>		
<u>Summary: July 1, 2010, through June 30, 2012</u>				
Total program costs	<u>\$ 376,812</u>	\$ 366,355	<u>\$ (10,457)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 366,355</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Understated and
unallowable initial
truancy notifications**

The district understated the number of initial truancy notifications it distributed and also claimed unallowable initial truancy notifications for fiscal year (FY) 2011-12. The unallowable costs total \$3,101 (understated by \$19,044 and overstated by \$22,145).

For FY 2011-12, the district claimed costs for distributing 10,888 truancy notifications during the school year to students’ parents or guardians. The district provided a list taken from its attendance accounting systems that supported the distribution of 11,397 notifications, a difference of 509 initial truancy notifications. Additionally, there were 673 unallowable initial truancy notifications distributed, 481 for students in charter schools and 192 for independent study students, based on the district’s electronic list.

Government Code section 17519, defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for State-mandated costs. Therefore, charter schools are not eligible for reimbursement of State-mandated costs.

Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the overstated number of initial truancy notifications claimed and resulting audit adjustments:

	Fiscal Year 2011-12
Initial truancy notifications supported by district	11,397
Less initial truancy notifications claimed	<u>(10,888)</u>
Understated initial truancy notifications	509
Unallowable charter school notifications	(481)
Unallowable independent study student notifications	<u>(192)</u>
(Overclaimed) initial truancy notifications	(164)
Uniform cost allowance	<u>x \$18.91</u>
Audit adjustment	<u>\$ (3,101)</u>

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any notifications that it distributes to charter school students and independent study students.

FINDING 2— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$13,483. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences while between the ages of 6 and 18 to be classified as truant under the mandated program. Under California law, only students between the ages of six and eighteen are subject to compulsory school attendance.

For each fiscal year, we selected a statistical sample of truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We based our samples on the "population sample," as identified in the table on the next page, containing the details of the audit adjustment. We used a statistical sample so that we could project the sample results to the population. The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified the allowable population into two groups for each year: elementary students subject to daily attendance accounting, and middle and high school students subject to period attendance accounting. We selected our samples from the lists of students that the district provided, which were taken from its online attendance accounting system. We excluded notifications distributed for charter school students, and independent study students identified in Finding 1 above, from the stratified populations.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year	
	2010-11	2011-12
Unexcused absences or tardiness occurrences when:		
Students were under six years of age	(4)	(9)
Students were 18 years of age or older	(6)	(3)
Unallowable initial truancy notifications	<u>(10)</u>	<u>(12)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year		Total
	2010-11	2011-12	
<u>Elementary Schools</u>			
Unallowable initial truancy notifications	(4)	(9)	
Sample size	÷ 144	÷ 145	
Percentage of unallowable initial truancy notifications	(2.78)%	(6.21)%	
Population sampled	x 3,699	x 4,071	
Extrapolated number of unallowable initial truancy notifications	(103)	(253)	
Uniform cost allowance	x \$18.29	x \$18.91	
Audit adjustment - elementary schools	\$ (1,884)	\$ (4,784)	\$ (6,668)
<u>Middle/High Schools</u>			
Unallowable initial truancy notifications	(6)	(3)	
Sample size	÷ 146	÷ 147	
Percentage of unallowable initial truancy notifications	(4.11)%	(2.04)%	
Population sampled	x 5,646	x 6,653	
Extrapolated number of unallowable initial truancy notifications	(232)	(136)	
Uniform cost allowance	x \$18.29	x \$18.91	
Audit adjustment - middle/high schools	\$ (4,243)	\$ (2,572)	\$ (6,815)
Total audit adjustment	<u>\$ (6,127)</u>	<u>\$ (7,356)</u>	<u>\$ (13,483)</u>

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, is a truant.

The parameters and guidelines (section 1–Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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

VICTOR ELEMENTARY SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983;
Chapter 1023, Statutes of 1994;
Chapter 19, Statutes of 1995; and
Chapter 69, Statutes of 2007

July 1, 2008, through June 30, 2011



JOHN CHIANG
California State Controller

August 2013



JOHN CHIANG
California State Controller

August 28, 2013

Gabriel Stine, D.C., President
Board of Trustees
Victor Elementary School District
15579 8th Street
Victorville, CA 92395

Dear Dr. Stine:

The State Controller's Office audited the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$385,455 for the mandated program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

If you disagree with the audit finding, 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 website at www.csm.ca.gov/docs/IRCForm.pdf.

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, CPA
Chief, Division of Audits

JVB/kw

cc: Jan Gonzales, Superintendent
Victor Elementary School District
Debbie Betts, Assistant Superintendent, Administrative Services
Victor Elementary School District
Jackie Jauregui, Interim Director, Fiscal Services
Victor Elementary School District
Beth Erickson, Director of Purchasing
Victor Elementary School District
Bette Harrison, President
San Bernardino County Board of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials.....	2
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Finding and Recommendation	5

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$385,455 for the mandated program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools 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 Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

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.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are 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 Victor Elementary School District claimed \$385,455 for costs of the Notification of Truancy Program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on July 19, 2013. We contacted Debbie Betts, Assistant Superintendent, Administrative Services; and Beth Erickson, Director, Fiscal Services, by email on August 8, 2013, and August 14, 2013. Ms. Betts and Ms. Erickson did not respond to our requests for a written response to the draft audit report.

Restricted Use

This report is solely for the information and use of the Victor Elementary 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, CPA
Chief, Division of Audits

August 28, 2013

**Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	4,884	7,055	2,171
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Subtotal	\$ 86,642	\$ 125,156	\$ 38,514
Less allowable costs that exceed costs claimed ²	—	(38,514)	(38,514)
Total program costs	<u>\$ 86,642</u>	86,642	<u>\$ —</u>
Less amount paid by the State		(19,632)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,010</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	8,381	7,101	(1,280)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs ³	<u>\$ 149,768</u>	\$ 126,894	<u>\$ (22,874)</u>
Less amount paid by the State		(29,417)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 97,477</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Number of initial truancy notifications	8,149	6,736	(1,413)
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29
Total program costs	<u>\$ 149,045</u>	\$ 123,201	<u>\$ (25,844)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 123,201</u>	
<u>Summary: July 1, 2008, through June 30, 2011</u>			
Subtotal of program costs	\$ 385,455	\$ 375,251	\$ (10,204)
Less allowable costs that exceed costs claimed	—	(38,514)	(38,514)
Total program costs	<u>\$ 385,455</u>	336,737	<u>\$ (48,718)</u>
Less amount paid by the State		(49,049)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 287,688</u>	

¹ See the Finding and Recommendation section.

² Government Code section 17568 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 2008-09.

³ Calculation differences due to rounding.

Finding and Recommendation

**FINDING—
Understated and
overstated initial
truancy notifications
claimed**

The district understated or overstated allowable costs for each fiscal year. For the audit period, the district overstated claimed costs by \$10,204. The costs were understated or overstated due to the following reasons:

- For each fiscal year, the district provided lists identifying those students for whom the district distributed initial truancy notifications. The number of notifications documented on the student lists did not support the number of initial truancy notifications claimed for each fiscal year. The student lists indicated that the district either understated or overstated the number of notifications claimed during each fiscal year.
- The number of initial truancy notifications documented included notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The number of initial truancy notifications documented included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The student lists showed that for some students, the district distributed more than one notification to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	7,319	7,345	7,141	
Less number of initial truancy notifications claimed	<u>(4,884)</u>	<u>(8,381)</u>	<u>(8,149)</u>	
Understated/(overstated) number of initial truancy notifications	2,435	(1,036)	(1,008)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ 43,197</u>	<u>\$ (18,513)</u>	<u>\$ (18,436)</u>	\$ 6,248
Number of charter school initial truancy notifications	(64)	(58)	(96)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (1,135)</u>	<u>\$ (1,037)</u>	<u>\$ (1,756)</u>	(3,928)
Number of independent study initial truancy notifications	(72)	(44)	(169)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (1,277)</u>	<u>\$ (786)</u>	<u>\$ (3,091)</u>	(5,154)
Duplicate truancy notifications	(128)	(142)	(140)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (2,271)</u>	<u>\$ (2,538)</u>	<u>\$ (2,561)</u>	(7,370)
Audit adjustment	<u>\$ 38,514</u>	<u>\$ (22,874)</u>	<u>\$ (25,844)</u>	<u>\$ (10,204)</u>

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We also recommend that the district exclude from this count those letters that it distributes for charter school and independent study students, and duplicate notifications that it distributes for the same student during the school year.

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

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



JOHN CHIANG
California State Controller

October 10, 2013

Debbie Betts, Assistant Superintendent
Administrative Services
Victor Elementary School District
15579 8th Street
Victorville, CA 92395

Dear Ms. Betts:

The State Controller's Office reviewed the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2011, through June 30, 2012. Our review was limited to ensuring that all initial truancy notifications contained the minimum information required by the program's parameters and guidelines.

The district claimed \$71,612 for the mandated program. Our review found that \$17,903 is allowable and \$53,709 is unallowable. The costs are unallowable because the district claimed noncompliant initial truancy notifications, as described in the attached Summary of Program Costs, and Finding and Recommendation.

For the fiscal year 2011-12 claim, the State made no payment to the district. Our review found that \$17,903 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, 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 website at www.csm.ca.gov/docs/IRCForm.pdf.

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, CPA
Chief, Division of Audits

JVB/sk

Attachments

RE: S13-MCC-948

cc: Jackie Jauregui, Director, Fiscal Services
Victor Elementary School District
Bette Harrison, President
San Bernardino County Board of Education
Scott Hannan, Director, School Fiscal Services Division
California Department of Education
Carol Bingham, Director, Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2011, through June 30, 2012**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2011, through June 30, 2012</u>			
Number of initial truancy notifications	3,787	3,787	—
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91
Subtotal	\$ 71,612	\$ 71,612	\$ —
Noncompliant initial truancy notifications	—	(53,709)	(53,709)
Total program costs	<u>\$ 71,612</u>	17,903	<u>\$ (53,709)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,903</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2011, through June 30, 2012

**FINDING—
Noncompliant initial
truancy notifications**

The district claimed unallowable costs totaling \$53,709 for fiscal year 2011-12. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notifications notifying parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48260 [*sic*]) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed notifications that included only items 1 and 5 listed above; the notifications did not contain the remaining six items. Therefore, 6/8 (75%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2011-12
Number of notifications claimed	3,787
Uniform cost allowance	× \$18.91
Subtotal	\$ 71,612
Unallowable percentage	× (75)%
Audit adjustment	\$ (53,709)

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.