

ITEM 6
INCORRECT REDUCTION CLAIM
PROPOSED DECISION

Education Code Section 48260.5

Statutes 1983, Chapter 498

Notification of Truancy

Fiscal Years 1999-2000, 2000-2001, and 2001-2002

07-904133-I-05 and 10-904133-I-07

San Juan Unified School District, Claimant

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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
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- 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

KEITH B. PETERSEN, MPA, JD, President
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December 17, 2007

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

Re: Incorrect Reduction Claim of San Juan Unified School District
Notification of Truancy
Fiscal Years: 1999-00, 2000-01, 2001-02

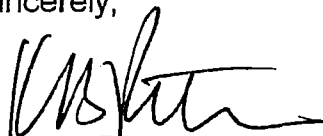
Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for San Juan 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:

Micheal G. Dencavage,
Chief Financial Officer
San Juan Unified School District
3738 Walnut Ave.
P.O. Box 477
Carmichael, CA 95609-0477

Sincerely,


Keith B. Petersen

COMMISSION ON STATE MANDATES

1. INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy

2. CLAIMANT INFORMATION

San Juan Unified School District
Michael G. Dencavage,
Chief Financial Officer
San Juan Unified School District
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P.O. Box 477

Carmichael, CA 95609-0477

Voice: 916-971-7293

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E-Mail: MDencavage@sanjuan.edu

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
3841 North Freeway Blvd., Suite 170
Sacramento, CA 95834
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Fax: (916) 564-6103
E-mail: Kbpsixten@aol.com

For CSM Use Only

Filing Date:

IRC #:

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Statutes of 1983, Chapter 498

Education Code Section 48260.5

5. AMOUNT OF INCORRECT REDUCTION

Fiscal Year	Amount of Reduction
1999-00	\$34,709
2000-01	\$39,934
2001-02	\$33,799

TOTAL: \$108,442

6. NOTICE OF NO INTENT TO CONSOLIDATE

No, 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 22
8. Controller's Letters:	Exhibit A
9. Parameters and Guidelines:	Exhibit B
10. Claiming Instructions:	Exhibit C
11. Final Audit Report:	Exhibit D
12. Exit Conference Notes:	Exhibit E
13. "Statistical Sampling Revisited":	Exhibit F
14. Reimbursement Claims:	Exhibit G

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 G. Dencavage, Chief Financial Officer

Michael G. Dencavage 12-12-2007
Signature Date

1 Claim Prepared by:
2 Keith B. Petersen
3 SixTen and Associates
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5 Sacramento, California 95834
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9
10 BEFORE THE
11 COMMISSION ON STATE MANDATES
12 STATE OF CALIFORNIA

13
14 INCORRECT REDUCTION CLAIM OF:)

15) No. CSM _____
16)

17) Chapter 498, Statutes of 1983
18) Education Code Section 48260.5

19) **SAN JUAN UNIFIED**

20) **Notification of Truancy**

21) **School District**

22) Annual Reimbursement Claims:

23) Claimant.

24) Fiscal Year 1999-00

25) Fiscal Year 2000-01

26) Fiscal Year 2001-02
27)

28) _____)
INCORRECT REDUCTION CLAIM FILING

29 PART I. AUTHORITY FOR THE CLAIM

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

Incorrect Reduction Claim of San Juan Unified School District
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1 or "Claimant") is a school district as defined in Government Code Section 17519. Title
2 2, CCR, Section 1185 (a), requires the claimant to file an incorrect reduction claim with
3 the 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 December 30, 2004 has been issued and constitutes a
8 demand for repayment and adjudication of the three annual reimbursement claims. On
9 June 16, 2005, the Controller issued a "results of review letter" for each of the three
10 annual reimbursement claims reporting the audit results and amounts due the state and
11 this constitutes a payment action. Copies of the Controller's "results of review letters"
12 are attached as Exhibit "A."

13 There is no alternative dispute resolution. The audit report transmittal letter
14 indicates that the District may dispute the audit by filing an incorrect reduction claim
15 with the Commission on State Mandates.

16 PART II. SUMMARY OF THE CLAIM

17 The Controller conducted a field audit of the District's annual reimbursement
18 claims for Fiscal Years 1999-00, 2000-01, and 2001-02, for the costs of complying with
19 the legislatively mandated program 498/83 Notification of Truancy. As a result of the
20 audit, the Controller determined that \$108,442 of the claimed costs were unallowable:

21 /

Incorrect Reduction Claim of San Juan Unified School District
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	<u>Fiscal</u> <u>Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Audit</u> <u>Adjustment</u>	<u>SCO</u> <u>Payments</u>	<u>Amount Due</u> <u><State> District</u>
1	1999-00	\$178,448	\$34,709	\$178,448	<\$34,709>
2	2000-01	\$183,477	\$39,934	\$142,855	\$ 688
3	2001-02*	<u>\$216,785</u>	<u>\$33,799</u>	<u>\$134,117</u>	<u>\$ 48,869</u>
4	Totals	\$578,710	\$108,442	\$455,420	\$14,848

5 * This is an amended claim.

6 The audit report states that the District has been paid \$455,420 for these claims and
7 concludes that the amount of \$14,848 is due the District.

8 PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

9 The District has not filed any previous incorrect reduction claims for this mandate
10 program. The District is not aware of any other incorrect reduction claims having been
11 adjudicated on the specific issues or subject matter raised by this incorrect reduction
12 claim. However, an incorrect reduction claim on this subject matter for Riverside
13 Unified School District is pending hearing before the Commission.

14 PART IV. BASIS FOR REIMBURSEMENT

15 1. Mandate Legislation

16 Chapter 498, Statutes of 1983, added Section 48260.5 to the Education Code to
17 require school districts to notify parents or guardians upon a pupil's initial classification
18 of truancy of their specific obligations and the penalties for continued truancy, the
19 availability of alternative education programs, and the opportunity to meet with school
20 personnel to discuss solutions to the pupil's truancy.
21
22

Incorrect Reduction Claim of San Juan Unified School District
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1 Education Code Section 48260.5 was amended by Chapter 1023, Statutes of
2 1994, to require additional content to notices (subdivisions f, g, and h), but that
3 amendment was not the subject of the test claim.

4 2. Test Claim

5 The State Board of Control, the predecessor body to the Commission on State
6 Mandates with jurisdiction regarding costs mandated by the state, determined on
7 November 29, 1984 that Education Code Section 48260.5 imposed an increased level
8 of service by requiring notifications be sent to the parents or guardians of pupils upon
9 initial classification of truancy.

10 3. Parameters and Guidelines

11 On August 27, 1987, the original parameters and guidelines were adopted,
12 revised on July 28, 1988, and then revised a final time on July 22, 1993. A copy of the
13 July 22, 1993 parameters and guidelines is attached as Exhibit "B."

14 4. Claiming Instructions

15 The Controller has periodically issued or revised claiming instructions for the
16 mandate program. A copy of the October 1996 revision of the claiming instructions is
17 attached as Exhibit "C." The October 1996 claiming instructions are believed to be, for
18 the purposes and scope of this incorrect reduction claim, substantially similar to the
19 version available at the time the annual reimbursement claims which are the subject of
20 this incorrect reduction claim were filed. However, since the Controller's claim forms
21 and instructions have not been adopted as regulations, they have no force of law, and,

1 therefore, have no effect on the outcome of this incorrect reduction claim.

2 PART V. STATE CONTROLLER CLAIM ADJUDICATION

3 The Controller conducted an audit of the District's annual reimbursement claims
4 for Fiscal Years 1999-00, 2000-01, and 2001-02. The audit concluded that 81% of the
5 District's costs, as claimed, were allowable. A copy of the December 30, 2004-audit
6 report is attached as Exhibit "D."

7 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

8 By letter dated October 28, 2004, the Controller transmitted a copy of its draft
9 audit report. The District did not respond to the draft audit report.

10 PART VII. STATEMENT OF THE ISSUES

11 The District has encountered some difficulty in preparing this incorrect reduction
12 claim because the audit report provides summary results and not the specific
13 components of the adjustment amounts. The other source of information available to
14 the District regarding the derivation of the adjustments is the exit conference notes
15 which are attached as Exhibit "E." However, the adjustment amounts in the audit report
16 are different from the amounts reported at the exit conference and no explanation of the
17 difference is provided in the audit report.

18 **Finding 1 Overclaimed number of initial truanancies**

19 The district is not disputing this adjustment. This was finding #3 in the exit
20 conference notes.

21 /

Incorrect Reduction Claim of San Juan Unified School District
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Finding 2 Unallowable costs relating to initial truancies

The audit report asserts that \$108,307 of the claimed costs are not reimbursable because "pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program." This audit report finding appears to be a merger of Exit Conference findings #1 and #2.

Adjustment Amounts

Reimbursement for this mandate is based on the actual number of notifications distributed multiplied by a uniform cost allowance for reimbursement in lieu of reporting direct and indirect costs. The dollar amounts of the adjustments are the result of reductions in the number of notices approved for reimbursement based upon the auditor's review of a "random sample" of truancy notifications. There are no indirect costs applied to the uniform cost allowance. The amounts adjusted are:

	Annual Reimbursement Claim Fiscal Year			
<u>Total Amount Adjusted</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Exit Conference Finding #1	\$23,017	\$25,282	\$30,881	\$79,180
Exit Conference Finding #2	<u>\$ 2,911</u>	<u>\$ 3,513</u>	<u>\$ 658</u>	<u>\$ 7,082</u>
Subtotal: EC Finding #1 and #2	\$25,928	\$28,795	\$31,539	\$86,262
Audit Report Finding #2	\$34,574	\$39,934	\$33,799	\$108,307
 <u>Total Unallowable Truancy Notifications</u>				
Exit Conference Finding #1	1,882	1,986	2,392	6,260
Exit Conference Finding #2	<u>238</u>	<u>276</u>	<u>51</u>	<u>565</u>
Subtotal: EC Finding #1 and #2	2,120	2,262	2,443	6,825
Audit Report Finding #2	2,827	3,137	2,618	8,582

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1 Number of "Non-compliant" Sampled Notifications

2	Exit Conference Finding #1	51	55	45	151
3	Exit Conference Finding #2	<u>6</u>	<u>7</u>	<u>1</u>	<u>14</u>
4	Subtotal: EC Finding #1 and #2	57	62	46	165
5	Audit Report Finding #2	57	64	46	167

6 Unit Cost Rate Multiplier

7 The unit cost rate multiplier was not adjusted.

8 The District is unable to ascertain the reason for the increase in the total dollar
9 amount and the extrapolated total unallowable notifications as reported at the exit
10 conference compared to the audit report when the number of non-compliant truancy
11 notifications sampled are essentially the same.

12 Reason for the Adjustments

13 The findings are based on the number of trancies incurred when the notification
14 was issued. The audit report states two reasons in support of the findings, either the
15 student did not have four absences [EC finding #1], or the student had less than three
16 absences [EC finding #2].

17 Statutory Requirements

18 Education Code Section 48260, as recodified by Chapter 1010, Statutes of 1976,
19 states:

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

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1 The parameters and guidelines were based on this definition of a truant, that is, a pupil
2 with more than three unexcused absences or tardy for more than three periods.

3 Education Code Section 48260, as amended by Chapter 1023, Statutes of 1994,
4 and Chapter 19, Statutes of 1995, states:

5 “(a) Any pupil subject to compulsory full-time education or to
6 compulsory continuation education who is absent from school without valid
7 excuse three full days in one school year or tardy or absent for more than any
8 30-minute period during the schoolday without a valid excuse ***on three
9 occasions in one school year, or any combination thereof, is a truant and shall
10 be reported to the attendance supervisor or to the superintendent of the school
11 district.

12 “(b) Notwithstanding subdivision (a), it is the intent of the Legislature
13 that school districts shall not change the method of attendance accounting
14 provided for in existing law and shall not be required to employ period-by-period
15 attendance accounting.”

16 The parameters and guidelines were never amended to incorporate the change in the
17 Education Code definition of a truant. The parameters and guidelines require at least
18 four unexcused absences for the pupil to be classified as a reimbursable truant, while
19 Education Code Section 48260 requires only three unexcused absences. Also, note
20 that the amendment to Education Code Section 48260 makes clear that the legislature
21 did not intend school districts to change their method of attendance accounting just to
22 comply with this change in the code.

23 Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983,
24 states:

25 “(a) Upon a pupil's initial classification as a truant, the school district
26 shall notify the pupil's parent or guardian, by first-class mail or other reasonable
27 means, of the following:

28 (1) That the pupil is truant.

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1 (2) That the parent or guardian is obligated to compel the
2 attendance of the pupil at school.

3 (3) That parents or guardians who fail to meet this obligation may
4 be guilty of an infraction and subject to prosecution pursuant to Article 6
5 (commencing with Section 48290) of Chapter 2 of Part 27.

6 (b) The district also shall inform the parents or guardians of the
7 following:

8 (1) Alternative educational programs are available in the district.

9 (2) The right to meet with appropriate school personnel to discuss
10 solutions to the pupil's truancy."

11 This is the source of the scope of the notice upon which the parameters and guidelines
12 are based.

13 Education Code Section 48260.5, as amended by Chapter 1023, Statutes of
14 1994, states:

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

18 (a) That the pupil is truant.

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

21 (c) That parents or guardians who fail to meet this obligation may be
22 guilty of an infraction and subject to prosecution pursuant to Article 6
23 (commencing with Section 48290) of Chapter 2 of Part 27.

24 ***

25 ***(d) That alternative educational programs are available in the district.

26 ***(e) That the parent or guardian has the right to meet with appropriate
27 school personnel to discuss solutions to the pupil's truancy.

28 (f) That the pupil may be subject to prosecution under Section 48264.

29 (g) That the pupil may be subject to suspension, restriction, or delay of
30 the pupil's driving privilege pursuant to Section 13202.7 of the Vehicle
31 Code.

32 (h) That it is recommended that the parent or guardian accompany the
33 pupil to school and attend classes with the pupil for one day."

34 The parameters and guidelines were never amended to incorporate the increase in the
35 scope of the content of the notice letter which resulted from this amendment of the

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1 Education Code.

2 Number of Truancies Required

3 The audit report states "Although *Education Code* Section 48260(a) (as
4 amended in 1994), defines a truant student as one who is absent from school without a
5 valid excuse three full days in one school year or tardy or absent for more than any 30-
6 minute period during the school day without a valid excuse on three occasions in one
7 school year, or any combination thereof, *Parameters and Guidelines* requires at least
8 four unexcused absences to be classified as a reimbursable truant."

9 As for the number of truancies required for the notice, the parameters and
10 guidelines do not specify attendance accounting procedures. Attendance accounting is
11 controlled by the Education Code. The District complied with the Education Code as
12 amended after the parameters and guidelines, and the parameters and guidelines,
13 which as quasi-regulations, are inferior to the Code. The attendance and truancy
14 information was recorded on a contemporaneous basis as required by the Education
15 Code. The truancies were recorded and the notices were distributed, therefore actual
16 costs were incurred, and the audit report does not state that the work was not
17 performed.

18 Reimbursement Based on Statistical Sampling

19 The audit report states that its finding is based upon a statistical sample of 883
20 truancy notifications actually examined from a universe of 45,785 notices for the three

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1 fiscal years.¹ The findings from the review of less than two percent of the total number
2 of notices are extrapolated to the total number of notices claimed and the annual
3 reimbursement claims adjusted based on the extrapolation. The propriety of a mandate
4 audit adjustment based on the statistical sampling technique is a threshold issue in that
5 if the methodology used is rejected, as it should be, the extrapolation is void and the
6 audit findings can only pertain to documentation actually reviewed, that is, the 883
7 notifications used in the audit report.

8 LEGAL AUTHORITY: The Controller has cited no statutory or regulatory authority to
9 allow the Controller to reduce claimed reimbursement based on extrapolation of a
10 statistical sample. The Controller does not assert that the claimed costs were
11 excessive or unreasonable, which is the only mandated cost audit standard in statute
12 (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire
13 findings are based upon the wrong standard for review. There is no provision to allow
14 claimants to claim costs based on sampling and extrapolation, or for the Controller to
15 audit or make findings in the same manner. There is no published audit manual for
16 mandate reimbursement or the audit of mandate claims in general, or any published
17 audit program for this mandate program which allows this method of audit or allows
18 adjustment of amounts claimed in this manner. Adjustment of the claimed costs based
19 on an extrapolation from a statistical sample is utilizing a standard of general

¹ The Controller in Finding 2 recalculated the notices for fiscal year 1999-00 from 14,591 notices as claimed by the District to 14,580 notices for reasons stated in Finding 1. The District does not dispute this adjustment.

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1 application without the benefit of compliance with the Administrative Procedure Act,
2 thus, the application of the method is prohibited by the Government Code.

3 UTILITY OF THE SAMPLING METHODOLOGY: A statistically valid sample
4 methodology is a recognized audit tool for some purposes. See Exhibit "F" ("Statistical
5 Sampling Revisited"). The purpose of sampling is to determine the results of
6 transactions or whether procedures were properly applied to the reported transactions.
7 In the case of reimbursement for this mandate, the state reimburses a specific dollar
8 amount for each transaction, the notice sent to parents, so that outcome is not being
9 tested. What the Controller purports to be testing is whether the notices are
10 reimbursable based on the number of prerequisite absences, which is testing for
11 procedural compliance. Testing to detect the rate of error within tolerances is the
12 purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount
13 of the error, which the Controller has inappropriately done so here. This is a failure of
14 auditor judgment both in the purpose of the sampling and the use of the findings.

15 SAMPLING RESULTS: Based on statements in the audit report and exit conference
16 materials, the sampling process yielded the following "findings":

17	<u>Sample Size</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
18	Total claimed notifications	14,591	14,413	16,792	45,796
19	Less Finding 1	<11>			
20	Audited notifications claimed	14,580	14,413	16,792	45,785
21	Number of schools in the district	70	70	70	
22	Average number notices/school	208	206	240	

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1	Total notices in entire sample	294	294	295	883
2	Notice group 1 (elementary &				
3	special education students)	146	146	147	439
4	Notice group 2 (middle & high				
5	school students)	148	148	148	444
6	Percentage of the sample to total	2.02%	2.04%	1.76%	1.93%
7	<u>Audit Results</u>				
8	Alleged "unallowable" notices	57	64	46	167
9	Percentage "noncompliant"	19.4%	21.8%	15.6%	18.9%
10	<u>Reason for Noncompliance</u>				
11	Less than 4 unexcused absences	51	55	40	146
12	3 unexcused absences	6	9	6	21

13 SAMPLE RISK: The ultimate risk for extrapolating findings from a sample is that the
 14 conclusions obtained from the sample may not be representative of the universe. That
 15 is, the errors perceived from the sample do not occur at the same rate in the universe.
 16 That is what has occurred in this audit. There are several qualitative reasons that a
 17 random selection of notices will not be representative of the universe. The auditor was
 18 allegedly sampling for compliance here, and the sample indicated that there were
 19 several methods of compliance. There is no showing that the sample accurately
 20 reflects the relative occurrence of truanancies at different grade levels. Half the sample
 21 was taken for middle and high schools, but extrapolated to the total notices claimed,
 22 eliminating any perceived "stratification." This does not take into account that the
 23 incidence of truancy in secondary schools is generally greater than elementary schools.

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1 Since there is no indication that the sample was randomly selected from school types or
2 grade levels, the extrapolation is non-representative in this aspect.

3 **SAMPLE ERROR:** In addition to the qualitative concerns discussed, quantitative
4 extrapolation of the sample to the universe depends on a statistically valid sample
5 methodology. Extrapolation does not ascertain actual cost. It ascertains probable
6 costs within an interval. The sampling technique used by the Controller is quantitatively
7 non-representative. For the three fiscal years, the Controller determined that there
8 were 45,785 notices distributed by the District. The total sample size for the three years
9 was 883 notices, 294 notices per year for fiscal years 1999-00 and 2000-01, and 295
10 notices per year for fiscal year 2001-02. Less than two percent of the total number of
11 notices were audited (1.93%). The number of notices sent by one school would be
12 about 1.43% of the total notices. The stated precision rate was plus or minus 8%, even
13 though the sample size was nearly identical for all three fiscal years, and even though
14 the audited number of notices claimed in FY 2000-01 (14,413) is 14% smaller than the
15 size of FY 2001-02 (16,792). The expected error rate is stated to be 50%, which
16 means the total amount adjusted of \$108,307 is really just a number exactly between
17 \$54,154 (50%) and \$162,461 (150%). An "interval" cannot be used as a finding of
18 actual cost. Nor can be the midrange amount.

19 Scope of Audit Findings

20 Since the statistical sampling performed by the auditor fails for legal, qualitative,
21 and quantitative reasons, the remaining revised audit findings are limited to the 883

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 notices in the audit report that were actually investigated. The Controller cannot
2 disallow costs for noncompliant notices for notices which were never audited.

3 No Basis for Adjustments

4 There is no factual foundation for the disallowances. They are extrapolations of
5 incongruous samples selected from a non-uniform statistical universe. Therefore, there
6 is no basis in fact or law to support the Controller's specific and extrapolated findings.
7 The Controller does not assert that the claimed costs were excessive or unreasonable,
8 which is the only mandated cost audit standard in statute (Government Code Section
9 17561(d) (2)). It would therefore appear that the entire findings are based upon the
10 wrong standard for review. If the Controller wishes to enforce other audit standards for
11 mandated cost reimbursement, the Controller should comply with the Administrative
12 Procedure Act.

13 **Finding 3 Improper attendance accounting procedures of student trancies**

14 This finding contains no fiscal impact. The audit report recommends "that the
15 district develop adequate truancy accounting policies and procedures consistent with
16 Education Code Section 48260 (a) and Section I of Parameters and Guidelines." The
17 audit report asserts that the District "did not use proper attendance accounting
18 procedures for student trancies." It appears the audit report confuses attendance
19 accounting procedures, required by the Education Code, with mandate claiming
20 procedures. The Controller was not auditing the District's attendance accounting
21 procedures, but the number of "initial trancies" claimed for reimbursement. The

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 scope of the audit report findings is limited to mandate claim reimbursement and
2 unfounded comments regarding the attendance accounting procedures required by the
3 Education Code are without merit.

4 **Amount Paid by The State**

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

	Fiscal Year of Annual Claim		
<u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
10 As Claimed	\$ 0	\$ 0	\$ 0
11 Audit Report	\$178,448	\$142,855	\$134,117

12 The propriety of these adjustments cannot be determined until the Controller states the
13 reason for each change.

14 **Statute of Limitations for Audit**

15 This issue is not an audit finding of the Controller. The District asserts that the
16 FY 1999-00 annual reimbursement claim and perhaps the FY 2000-01 claim was
17 beyond the statute of limitations for an audit when the Controller issued its audit report
18 on December 30, 2004.

19 /
20 /
21 /

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 Chronology of Claim Action Dates

2 January 11, 2001 FY 1999-00 claim filed by the District
3 Unknown FY 2000-01 claim filed by the District
4 December 31, 2003 FY 1999-00 statute of limitations for audit expires and
5 perhaps for FY 2000-01 if that claim was filed before
6 January 1, 2002.
7 December 30, 2004 Controller's final audit report issued

8 The District's FY 1999-00 claim was mailed to the Controller on or about January
9 11, 2001. According to Government Code Section 17558.5, the FY 1999-00 annual
10 reimbursement claim was subject to audit no later than December 31, 2003. The audit
11 was completed after this date. Therefore, the audit adjustment for this fiscal year is
12 barred by the statute of limitations.

13 The District's FY 2000-01 claim was timely filed to the Controller by January 15,
14 2002, since the audit report indicates no late filing penalty. The District's mandate
15 claim preparation consultant, due to the passage of time, is unable to provide the
16 District a copy of the signed FAM-27. However, the State Controller has possession of
17 the claim and knowledge of the filing date. If the FY 2000-01 claim was filed before
18 January 1, 2002, it was subject to audit no later than December 31, 2003.

19 Statutory History

20 Prior to January 1, 1994, no statute specifically governed the statute of
21 limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906,
22 Section 2, operative January 1, 1994, added Government Code Section 17558.5 to

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 establish for the first time a specific statute of limitations for audit of mandate

2 reimbursement claims:

3 “(a) A reimbursement claim for actual costs filed by a local agency or school
4 district pursuant to this chapter is subject to audit by the Controller no later than
5 four years after the end of the calendar year in which the reimbursement claim is
6 filed or last amended. However, if no funds are appropriated for the program for
7 the fiscal year for which the claim is made, the time for the Controller to initiate
8 an audit shall commence to run from the date of initial payment of the claim.”

9 Thus, there are two standards. A funded claim is “subject to audit” for four years after
10 the end of the calendar year in which the claim was filed. An “unfunded” claim must
11 have its audit “initiated” within four years of first payment.

12 Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and
replaced Section 17558.5, changing only the period of limitations:

13 “(a) A reimbursement claim for actual costs filed by a local agency or school
14 district pursuant to this chapter is subject to audit by the Controller no later than
15 two years after the end of the calendar year in which the reimbursement claim is
16 filed or last amended. However, if no funds are appropriated for the program for
17 the fiscal year for which the claim is made, the time for the Controller to initiate
18 an audit shall commence to run from the date of initial payment of the claim.”
19

20 The FY 1999-00 annual reimbursement claim and the FY 2000-01 claim are subject to
21 the two-year statute of limitations established by Chapter 945, Statutes of 1995. FY
22 1999-00 and perhaps FY 2000-01 were no longer subject to audit when the audit report
23 was issued. Since funds were appropriated for the program for all the fiscal years
24 which are the subject of the audit, the alternative measurement date is not applicable,
25 and any potential factual issue of when the audit is initiated is not relevant.

26 Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 amended Section 17558.5 to state:

2 “(a) A reimbursement claim for actual costs filed by a local agency or school
3 district pursuant to this chapter is subject to the initiation of an audit by the
4 Controller no later than three years after the ~~end of the calendar year in which~~
5 the date that the actual reimbursement claim is filed or last amended, whichever
6 is later. However, if no funds are appropriated or no payment is made to a
7 claimant for the program for the fiscal year for which the claim is made filed, the
8 time for the Controller to initiate an audit shall commence to run from the date of
9 initial payment of the claim.”

10
11 The amended FY 2001-02 annual reimbursement claim is subject to this statute and
12 was still subject to audit when the audit report was released. The code section
13 amendment is pertinent since it indicates this is the first time that the factual issue of
14 the date the audit is “initiated” is introduced for mandate programs for which funds are
15 appropriated. This also means that, at the time the claim is filed, it is impossible for the
16 claimant to know when the statute of limitations will expire, which is contrary to the
17 purpose of a statute of limitations. This amendment also allows the Controller’s own
18 unilateral delay or failure to make payments from funds appropriated for the purpose of
19 paying the claims to control the tolling of the statute of limitations, which is contrary to
20 the purpose of a statute of limitations.

21 Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended
22 Section 17558.5 to state:

23 “(a) A reimbursement claim for actual costs filed by a local agency or school
24 district pursuant to this chapter is subject to the initiation of an audit by the
25 Controller no later than three years after the date that the actual reimbursement
26 claim is filed or last amended, whichever is later. However, if no funds are
27 appropriated or no payment is made to a claimant for the program for the fiscal
28 year for which the claim is filed, the time for the Controller to initiate an audit
29 shall commence to run from the date of initial payment of the claim. In any case,

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 basis for its actions.

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

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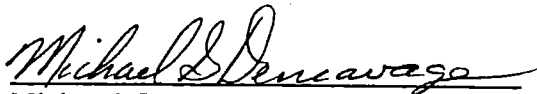
21 /

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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 December 12, 2007, at Carmichael, California, by



Michael G. Dencavage, Chief Financial Officer
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477
Voice: 916-971-7293
Fax: 916-971-7788
E-Mail: MDencavage@sanjuan.edu

APPOINTMENT OF REPRESENTATIVE

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



Michael G. Dencavage, Chief Financial Officer
San Juan Unified School District

12-12-2007
Date

Attachments:

Exhibit "A"	Controller's Letters dated June 16, 2005
Exhibit "B"	Parameters and Guidelines as amended July 22, 1993
Exhibit "C"	Controller's Claiming Instructions revised October 1996
Exhibit "D"	Controller's Audit Report dated December 30, 2004
Exhibit "E"	Exit Conference Notes
Exhibit "F"	"Statistical Sampling Revisited" by Neal B. Hitzig
Exhibit "G"	Annual reimbursement claims



STEVE WELLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 1999/2000 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		178,448.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	34,709.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-178,448.00
AMOUNT DUE STATE		<u>\$ 34,709.00</u>

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 34,709.00 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 MOHAMMED AZIZ AT (916) 323-2892 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	-	34,709.00
TOTAL ADJUSTMENTS		- 34,709.00
PRIOR PAYMENTS:		
SCHEDULE NO. MA12135A		
PAID 12-27-2001	-82,827.00	
SCHEDULE NO. MA92327E		
PAID 03-13-2000	-95,621.00	
TOTAL PRIOR PAYMENTS		-178,448.00

Offset

MRP 01/05 2111 - 19,802.00
MRP 02/03 Claim - 2 14,907.00
9,895.00

SINCERELY,

Genny Brummels
 GENNY BRUMMELS, MANAGER



STEVE WESTLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2000/2001 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 183,477.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 39,934.00

TOTAL ADJUSTMENTS - 39,934.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA02316E 142,855.00
 PAID 03-08-2001

AMOUNT DUE CLAIMANT \$ 688.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT MOHAMMED AZIZ AT (916) 323-2892 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.

SINCERELY,

Devin Brumback



STEVE WESTLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2001/2002 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 216,785.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 33,799.00

TOTAL ADJUSTMENTS - 33,799.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA12141E
 PAID 03-15-2002

134,117.00

AMOUNT DUE CLAIMANT

\$ 48,869.00

Pd
06/07

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT MOHAMMED AZIZ AT (916) 323-2892 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.

SINCERELY,

Benjamin Brummett

COMMISSION ON STATE MANDATES

14 K Street, Suite 315
SACRAMENTO, CA 95814
916-223-3562



July 22, 1993

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

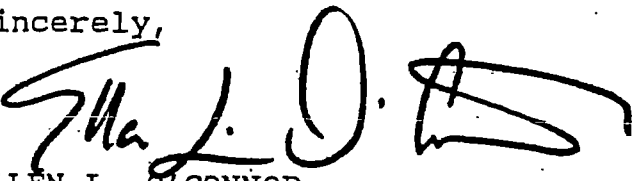
Re: Chapter 498, Statutes of 1983,
Education Code section 48915(a)
Expulsion Reports
and
Chapter 498, Statutes of 1983,
Education Code section 48260.5.
Notification of Truancy

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

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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 (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 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	Fiscal Year
	Reimbursement <input type="checkbox"/>	
	Estimated <input type="checkbox"/>	20__/20__
Claim Statistics		
(03) Number of truant notifications		
Cost		
(04) Unit Cost per an initial truancy notification	[\$13.20 for the 2002-03 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 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 third 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 2002-03 fiscal year is \$13.20

 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.

SAN JUAN 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 30, 2004

General Davie Jr., Ed.D.
Superintendent of Schools
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477

Dear Dr. Davie:

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.

The district claimed \$578,710 for the mandated program. Our audit disclosed that \$470,268 is allowable and \$108,442 is unallowable. The unallowable costs occurred primarily because the district claimed costs of notifications issued to pupils with less than four truanancies. The district was paid \$455,420. Allowable costs claimed exceed the amount paid by \$14,848.

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/jj

cc: (See page 2)

cc: Dina Geiss, CPA
Director of Business Support Services
San Juan Unified School District
Sharon Ferrante
Compliance Auditor
School Innovations and Advocacy
David W. Gordon, County Superintendent of Schools
Sacramento 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

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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 last day of fieldwork was October 20, 2003.

The district claimed \$578,710 for the mandated program. The audit disclosed that \$470,268 is allowable and \$108,442 is unallowable. The unallowable costs occurred primarily because the district claimed costs of notifications issued to pupils with less than four truanancies. The district was paid \$455,420. Allowable costs claimed exceed the amount paid by \$14,848.

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 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. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed are allowable for reimbursement. Accordingly, we examined transactions, 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 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 \$470,268 is allowable and \$108,442 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$178,448 by the State. Our audit disclosed that \$143,739 is allowable. The amount paid in excess of allowable costs claimed, totaling \$34,709, should be returned to the State.

For FY 2000-01, the district was paid \$142,855 by the State. Our audit disclosed that \$143,543 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$688, will be paid by the State based upon available appropriations.

For FY 2001-02, the district was paid \$134,117 by the State. Our audit disclosed that \$182,986 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$48,869, 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.

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

**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</u>	<u>Reference ¹</u>
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	14,591	11,753	(2,838)	
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	Findings 1, 2
Total costs	<u>\$ 178,448</u>	<u>\$ 143,739</u>	<u>\$ (34,709)</u>	
Less amount paid by the State		<u>(178,448)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (34,709)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	14,413	11,276	(3,137)	
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	Finding 2
Total costs	<u>\$ 183,477</u>	<u>\$ 143,543</u>	<u>\$ (39,934)</u>	
Less amount paid by the State		<u>(142,855)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 688</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,792	14,174	(2,618)	
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	Finding 2
Total costs	<u>\$ 216,785</u>	<u>\$ 182,986</u>	<u>\$ (33,799)</u>	
Less amount paid by the State		<u>(134,117)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,869</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Number of truancy notifications	<u>45,796</u>	<u>37,203</u>	<u>(8,593)</u>	
Total costs	<u>\$ 578,710</u>	<u>\$ 470,268</u>	<u>\$(108,442)</u>	
Less amount paid by the State		<u>(455,420)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,848</u>		

¹ See the Findings and Recommendations section.

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 \$108,307 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 audit adjustment is summarized as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Allowable per audit	\$ 143,874	\$ 143,543	\$ 182,986	\$ 470,403
Less actual costs claimed	<u>(178,448)</u>	<u>(183,477)</u>	<u>(216,785)</u>	<u>(578,710)</u>
Audit adjustment	<u>\$ (34,574)</u>	<u>\$ (39,934)</u>	<u>\$ (33,799)</u>	<u>\$(108,307)</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 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	57	64	46	
Truant pupils sampled	÷ 294	÷ 294	÷ 295	
Unallowable percentage	(19.39)%	(21.77)%	(15.59)%	
Truancy notifications claimed	<u>14,580</u>	<u>14,413</u>	<u>16,792</u>	
Projected unallowable truancy notifications	(2,827)	(3,137)	(2,618)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (34,574)</u>	<u>\$ (39,934)</u>	<u>\$ (33,799)</u>	<u>\$(108,307)</u>

For FY 1999-2000, we sampled 294 of the notifications claimed. Fifty-seven notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 57 notifications, 6 were issued to pupils who had fewer than three unexcused absences during the entire school year.

For FY 2000-01, we sampled 294 of the notifications claimed. Sixty-four notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 64 notifications, 9 were issued to pupils who had fewer than three unexcused absences during the entire school year.

For FY 2001-02, we sampled 295 of the notifications claimed. Forty-six notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 46 notifications, 6 were issued to pupils who had fewer than three unexcused absences during the entire school year.

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 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* 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 claim reimbursement under the Notification of Truancy Program only 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(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, *Parameters and Guidelines* requires at least four unexcused absences to be classified as a reimbursable truant.

**FINDING 3—
Improper attendance
accounting
procedures of student
truancies**

The district did not use proper attendance accounting procedures for student truancies 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 truancies did not meet the criteria specified in Section I of *Parameters and Guidelines* or language contained in *Education Code* Section 48260(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 truancies. 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 non-compliance issue based solely on the timing of letter distributions. Unallowable costs related to notifications issued to pupils that did not have four or more unexcused absences are discussed in Finding 2.

Section I of *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). Currently, *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 that the district develop adequate truancy accounting policies and procedures consistent with *Education Code* Section 48260(a) and Section I of *Parameters and Guidelines*, to ensure that all claimed costs are eligible and properly supported.

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

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

S03-MCC-024

EXIT

SAN JUAN UNIFIED SCHOOL DISTRICT
LEGISLATIVELY MANDATED NOTICE OF TRUANCY PROGRAM
EXIT CONFERENCE
FISCAL YEARS 1999/00 THROUGH 2001/02

TYPE OF AUDIT: Compliance audit of the Mandated Notification of Truancy Program claims submitted by the district

FISCAL YEARS (FY's) OF AUDIT: 1999/00, 2000/01, and 2001/02

DATE OF EXIT: October 20, 2003 ✓

PERSONS ATTENDING	TITLE
Tom Tafoya	Internal Auditor – SJUSD
Joe Tucker	Attendance Improvement Support Services Coordinator – SJUSD
Steve Smith	Manager, Governmental and Client Relations – MCS
John Conshafter	Compliance Auditor – MCS
Kris Kelley	Consultant – MCS
Jim Venneman	Audit Manager - SCO
Stephanie Lo	Audit Staff - SCO

BACKGROUND:

The State enacted Chapter 498, Statutes of 1983, requiring special notifications be sent to the parents or guardians of pupil's 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 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 (non 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.

Maria Kelly
Sweetwater S.D.

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.

AUDIT OBJECTIVES:

- The objective of the audit is to determine whether costs claimed represent increased costs resulting from the legislatively mandated *Notification of Truancy* program, Chapter 498, Statutes of 1983, codified as *Education Code* Section 48260.5, for the period of July 1, 1999 through June 30, 2002.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandate 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* for performance audits, 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.

The SCO used statistical sampling to test the claimed costs. For FY 99/00 through FY 01/02, the SCO auditor stratified the total population into two groups, namely (1) Elementary and Special Education School students, and (2) Middle and High School students. The stratification is due to non-homogeneity of the total population in accounting for student absences.

FINDING 1 – Non-reimbursable truanancies claimed

During the fiscal years (FYs) 1999/00, 2000/01, and 2001/02, the district claimed reimbursements in the amount of \$79,180 for 6,260 initial notifications of truancy that did not meet the definition of a "reimbursable" truancy per the *Parameters and Guidelines*.

The *Parameters and Guidelines* for the Notification of Truancy program, Section I, defines that "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 one school year. (Definition from Education Code Section 48260.)"

The *Parameters and Guidelines*, Section I also requires "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."

For FY 99/00, the auditor found that 1,882 notifications were non-compliant. The random sample testing results indicated that in the first group, 47 out of 146 student records were non-compliant, and in the second group, 4 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 1,882, resulting in an unallowable cost of \$23,017.

For FY 00/01, the auditor found that 1,986 notifications were non-compliant. The random sample testing results indicated that in the first group, 54 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 1,986, resulting in an unallowable cost of \$25,282.

For FY 01/02, the auditor found that 2,392 notifications were non-compliant. The random sample testing results indicated that in the first group, 37 out of 147 student records were non-compliant, and in the second group, 8 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 2,392, resulting in an unallowable cost of \$30,881.

A summary of the unallowable costs is as follows:

	FY 1999/00	FY 2000/01	FY 2001/02	Total
Number of Unallowable Notifications Claimed	1,882	1,986	2,392	6,260
Uniform Costs Allowance	\$ 12.23	\$ 12.73	\$ 12.91	
Audit Adjustment	\$ 23,017	\$ 25,282	\$ 30,881	\$ 79,180

Recommendation:

Costs claimed by the district in the amount of \$79,180 are unallowable under the Notification of Truancy Program for FY 99/00 through FY 01/02, and must be reimbursed back to the State.

In addition, the district should develop adequate truancy accounting policies and procedures that are consistent with *Parameters and Guidelines* to ensure that all claimed costs are eligible and properly supported.

FINDING 2— Students improperly classified as truants

For the fiscal years (FYs) 1999/00, 2000/01, and 2001/02, the district claimed reimbursement of \$7,082 for 565 notification of truancy letters that did not meet the absence criteria specified in *Education Code Section 48260(a)* or Section I of the *Parameters and Guidelines*. Specifically, the district had classified students with less than three absences in their attendance records as truants.

For FY 99/00, the auditor found that 238 notifications were non-compliant. The random sample testing results indicated that in the first group, 5 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 238, resulting in an unallowable cost of \$2,911.

For FY 00/01, the auditor found that 276 notifications were non-compliant. The random sample testing results indicated that in the first group, 6 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 276, resulting in an unallowable cost of \$3,513.

For FY 01/02, the auditor found that 51 notifications were non-compliant. The random sample testing results indicated that in the first group, 1 out of 147 student records was non-compliant, and in the second group, 0 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 51, resulting in an unallowable cost of \$658.

A summary of the unallowable costs is as follows:

	FY 1999/00	FY 2000/01	FY 2001/02	Total
Number of Unallowable Notifications Claimed	238	276	51	565
Uniform Costs Allowance	\$ 12.23	\$ 12.73	\$ 12.91	
Audit Adjustment	\$ 2,911	\$ 3,513	\$ 658	\$ 7,082

Recommendation

The district should reimburse the State \$7,082 for FY 1999/00 through FY 2001/02 for the reimbursements claimed for initial truancy notifications that were sent to students who were improperly classified as truants.

The district should 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 3 – Overclaimed number of initial truancies – FY 1999-00

The district claimed 11 initial truancies, totaling \$135 that were not supported by its attendance records for the period of July 1, 1999, through June 30, 2000.

The auditor was not able to reconcile the total number of initial truancy notification forms claimed for fiscal year 1999/00 to students who were truant based on attendance records. Specifically, the district claimed 68 truancy notifications for Bella Vista Evening Adult School, which was not on the FY 99/00 Attendance Letter Tracking Report, instead of claiming 57 truancy notifications for Cowan James Fund Elementary, which was supported by the Attendance Letter Tracking Report. The district was unable to explain the differences between the notifications claimed and the totals of initial truancies identified in the Attendance Letter Tracking Report. Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

Audit Adjustment

Claimed truancies	14,591
Supported truancies	<u>(14,580)</u>
Number of unsupported truancies	11
Uniform cost allowance	<u>\$ 12.91</u>
Audit Adjustment	<u>\$ 135</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 FY 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 reimburse the State \$135 for FY 1999/00 for truancy claims that were not supported by its attendance records. In addition, the district should establish policies and procedures to ensure that all costs claimed are supported.

FINDING 4 – Improper attendance accounting procedures of student truancies

During the fiscal years (FYs) 1999/00, 2000/01 and 2001/02, the district claimed reimbursements for truancy notifications that did not meet the criteria specified in Section I of the *Parameters and Guidelines*. In addition, the notifications also failed to comply with existing language contained in Section 48260(a) of the *Education Code*.

The district classified the middle and high school students as truants only if the students had accumulated three-days worth of "period absences". As a result, the district was late in classifying students with qualifying unexcused absences as truants. In some cases, students with a sufficient number of unexcused absences to be classified as truants are not being classified as truants at all by the district.

Section I of the *Parameters and Guidelines* states that "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 Section 48260(a) of the *Education Code* 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 ...**"

Upon SCO's upper management review of the audit exception, it was determined that there exists no basis in the *Parameters and Guidelines* for the SCO to take a dollar finding based on timing. Thus, the SCO has decided to take a procedural finding for this non-compliance.

Recommendation

The district should 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.

OTHER DISCUSSIONS:

OTHER COMMENTS:

APPROXIMATE RELEASE DATE OF DRAFT REPORT:

~~November 30, 2003~~
January 04

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Analysis of Claimed Costs
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1999 through June 30, 2000</u>			
Number of Truant Notifications	14,591	12,460	(2,131)
Unit Cost per Initial Notification	\$ 12.23	\$ 12.23	\$ 12.23
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 178,448</u>	\$ 152,385	<u>\$ (26,063)</u>
Less amount paid by the state		<u>\$ (178,448)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (26,063)</u>	
<u>July 1, 2000 through June 30, 2001</u>			
Number of Truant Notifications	14,413	12,151	(2,262)
Unit Cost per Initial Notification	\$ 12.73	\$ 12.73	\$ 12.73
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 183,477</u>	\$ 154,682	<u>\$ (28,795)</u>
Less amount paid by the state		<u>\$ (142,855)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>11,827</u>	
<u>July 1, 2001 through June 30, 2002</u>			
Number of Truant Notifications	16,792	14,349	(2,443)
Unit Cost per Initial Notification	\$ 12.91	\$ 12.91	\$ 12.91
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 216,785</u>	\$ 185,246	<u>\$ (31,539)</u>
Less amount paid by the state		<u>\$ (134,117)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>51,129</u>	
<u>Summary: July 1, 1999 through June 30, 2002</u>			
Number of Truant Notifications	45,796	38,960	(6,836)
Unit Cost per Initial Notification	\$ -	\$ -	\$ -
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 578,710</u>	\$ 492,313	<u>\$ (86,397)</u>
Less amount paid by the state		<u>\$ (455,420)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>36,893</u>	

Tickmarks:
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San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Summary of Test Results
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

Fiscal Year	Test Results					
	(A) Total Claimed Costs	(B) Total Notifications Claimed	(C) Total Unallowable Notifications	(D) Total Allowable Notifications	(E) Total Unallowable Costs	(F) Total Allowable Costs
FY 99/00	\$ 178,448	14,591	2,131	12,460	\$ 26,063	\$ 152,385
FY 00/01	\$ 183,477	14,413	2,262	12,151	\$ 28,795	\$ 154,682
FY 01/02	\$ 216,785	16,792	2,443	14,349	\$ 31,539	\$ 185,246
Total	\$ 578,710	45,796	6,836	38,960	\$ 86,397	\$ 492,313

Fiscal Year	Unallowable Notifications Breakdown			Total Unallowable Notifications
	Unallowable Notifications due to Criteria (1) [$<$ three unexcused absences and/or tardies]	Unallowable Notifications due to Criteria (3) [Only has three unexcused absences and/or tardies]	Unallowable Notifications due to Overclaimed Number of Initial Truancy Notifications	
FY 99/00	238	1,882	11	2,131
FY 00/01	276	1,986		2,262
FY 01/02	51	2,392		2,443
Total	565	6,260	11	6,836

Total FY 99/00 through FY 01/02 Claimed Costs \$ 578,710
 Less Total Unallowable Claimed Costs \$ (86,397)
Total Allowable Claimed Costs for FY 99/00 - FY 01/02 \$ 492,313

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Summary of Unallowable Costs
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

FY 1999/00 NOT Claim	
Number of NOT Letters Sent	14,591
Claim Amount	\$178,448
Less Unallowable Claim Summary Error * (11 letters x \$12.23/letter)	(\$135)
Adjusted Claim Amount per Analysis of Filed Claim	\$178,313
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$2,911
Criteria (3)	\$23,017
Total Allowable Amount	\$152,385
Total Unallowable Amount (\$135 + \$2,899 + \$23,029)	\$26,063

FY 2000/01 NOT Claim	
Number of NOT Letters Sent	14,413
Claim Amount	\$183,477
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$3,513
Criteria (3)	\$25,282
Total Allowable Amount	\$154,682
Total Unallowable Amount (\$3,513 + \$25,282)	\$28,795

FY 2001/02 NOT Claim	
Number of NOT Letters Sent	16,792
Claim Amount**	\$216,785
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$658
Criteria (3)	\$30,881
Total Allowable Amount	\$185,246
Total Unallowable Amount (\$658 + \$30,881)	\$31,539

Summary of Sample Testing Results (FY 1999/00 through FY 2001/02)	
Total Number of NOT Letters Claimed	45,796
Total Claim Amount	\$578,710
Total Claim Adjustment (for FY 99/00 only)	\$135
Total Criteria 1 (<three unexcused absences and/or tardies)	\$7,082
Total Criteria 3 (Only has three unexcused absences and/or tardies)	\$79,180
Total Allowable Amount	\$492,313
Total Unallowable Amount	\$86,397

** The FY 01/02 Claim Amount of \$216,785 is the final claim amount after SJUSD amended its original claim amount of \$239,351 and reduced it down to the current amount of \$216,785 on March 7, 2003 (Also see WP# _____).

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 1999 through June 30, 2000
 S03 - MCC - 0024

District Summary

Total Notifications Claimed	14,591	Adjusted Amount*	14,580
Total Claimed Costs (Notifications Claimed X \$12.23)	\$ 178,448		178,313
Total Unallowable Percentage	15%		15%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(C) Unallowable Cost [(B) x \$12.23]
Test Results			
a. Criteria (1) - ED	6	238	\$ 2,911
b. Criteria (3) - PG	51	1882	\$ 23,017
Total	57	2120	\$ 25,928

1. Special Education & Elementary School Students

Total Notifications Claimed	5060	Adjusted Amount*	5049
Sample Size	146		146

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed (adjusted amount)]	(D) Unallowable Cost [(C) x \$12.23]
Test Results				
a. Criteria (1)	5	3.42%	173	\$ 2,116
b. Criteria (3)	47	32.19%	1625	\$ 19,874
Total	52	35.62%	1798	\$ 21,990

2. Middle and High School Students

Total Notifications Claimed	9531
Sample Size	148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.23]
Test Results				
a. Criteria (1)	1	0.68%	65	\$ 795
b. Criteria (3)	4	2.70%	257	\$ 3,143
Total	5	3.38%	322	\$ 3,938

* The FY 99/00 total number of notifications claimed has been adjusted down by 11 notifications to reflect the correction of an overstatement error on the claim (WP# _____).

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 2000 through June 30, 2001
 S03 - MCC - 0024

District Summary

Total Notifications Claimed 14,413
 Total Claimed Costs (Notifications Claimed X \$12.73) \$ 183,477
 Total Unallowable Percentage 16%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(C) Unallowable Cost [(B) x \$12.73]
Test Results			
a. Criteria (1)	7	276	\$ 3,513
b. Criteria (3)	55	1986	\$ 25,282
Total	62	2262	\$ 28,795

1. Special Education & Elementary School Students

Total Notifications Claimed 5203
 Sample Size 146

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.73]
Test Results				
a. Criteria (1)	6	4.11%	214	\$ 2,724
b. Criteria (3)	54	36.99%	1924	\$ 24,493
Total	60	41.10%	2138	\$ 27,217

2. Middle and High School Students

Total Notifications Claimed 9210
 Sample Size 148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.73]
Test Results				
a. Criteria (1)	1	0.68%	62	\$ 789
b. Criteria (3)	1	0.68%	62	\$ 789
Total	2	1.35%	124	\$ 1,578

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 2001 through June 30, 2002
 S03 - MCC - 0024

District Summary

Total Notifications Claimed 16,792
 Total Claimed Costs (Notifications Claimed X \$12.91) \$ 216,785
 Total Unallowable Percentage 15%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(D) Unallowable Cost [(B) x \$12.91]
Test Results			
a. Criteria (1)	1	51	\$ 658
b. Criteria (3)	45	2392	\$ 30,881
Total	46	2443	\$ 31,539

1. Special Education & Elementary School Students

Total Notifications Claimed 7509
 Sample Size 147

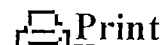
	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.91]
Test Results				
a. Criteria (1)	1	0.68%	51	\$ 658
b. Criteria (3)	37	25.17%	1890	\$ 24,400
Total	38	25.85%	1941	\$ 25,058

2. Middle and High School Students

Total Notifications Claimed 9283
 Sample Size 148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.91]
Test Results				
a. Criteria (1)	0	0.00%	0	\$ -
b. Criteria (3)	8	5.41%	502	\$ 6,481
Total	8	5.41%	502	\$ 6,481

The CPA Journal



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.

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

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.

Close

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) Signature Present

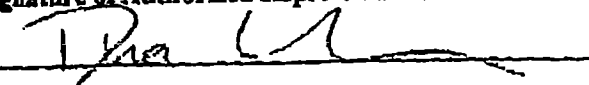
L A B E L H E R E	(01) Claimant Identification Number: S34085		Reimbursement Claim Data	
	(02) Mailing Address		(22) NOT-1,(03)	14,591
	Claimant Name SAN JUAN UNIFIED SD		(23)	
	County Of Location SACRAMENTO		(24)	
	Street Address or P.O. Box 3738 WALNUT AVENUE		(25)	
	City	State	Zip Code	(26)
CARMICHAEL	CA	95609-0477		
Type of Claim	Estimated Claim	Reimbursement Claim	(27)	
	(03) Estimated <input checked="" 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) <u>2000 / 2001</u>	(12) <u>1999 / 2000</u>	(31)	
Total Claimed Amount	(07) \$ <u>178,448</u>	(13) \$ <u>178,448</u>	(32)	
Less: 10% Late Penalty, but not to exceed \$1000 (if applicable)		(14)	(33)	
Less: Estimate Payment Received		(15)	(34)	
Net Claimed Amount		(16) \$ <u>178,448</u>	(35)	
Due From State	(08) \$ <u>178,448</u>	(17) \$ <u>178,448</u>	(36)	
Due to State		(18)	(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person 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 were no applications for nor any grant or payments received, other than from the claimant, 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 Representative

 DINA UNDERLY
 Type or Print Name

Date 4/11/01
 INTERNAL AUDITOR
 Title

(39) Name of Contact Person For Claim Steve Smith, Mandated Cost Systems **81** Telephone Number 916-487-4435 Ext.

**NOTIFICATION OF TRUANCY
CLAIM SUMMARY
INSTRUCTIONS**

**FORM
NOT-1**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 1999 / 2000
Estimated

Claim Statistics

(03) Number of truant notifications 14,591

Cost		
(04) Unit Cost per an Initial truancy notification	[\$12.23 for the 1999/00 fiscal year]	12.23
(05) Total Costs:	[Line (03) x line(04)]	178,448
Cost Reduction		
(06) Less:	Offsetting Savings, if applicable	
(07) Less:	Other Reimbursements, if applicable	
(08) Total Claimed Amount:	82 e(05) - [Line(06) + line(07)]	178,448

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE FUNDAMENTAL	79
ARDEN MIDDLE	113
ARLINGTON HEIGHTS ELEM (YR)	116
BARRETT (JOHN) MIDDLE	190
BELLA VISTA EVENING ADULT	68
BELLA VISTA HIGH	685
CAMBRIDGE HEIGHTS ELEMENTARY	55
CAMERON RANCH ELEMENTARY	97
CARMICHAEL ELEMENTARY	262
CARNEGIE (ANDREW) MIDDLE	88
CARRIAGE DRIVE ELEMENTARY	110
CASA ROBLE FUNDAMENTAL HIGH	1,047
CHURCHILL MIDDLE	254
CITRUS HEIGHTS ELEMENTARY	95
COLEMAN (THOMAS) ELEMENTARY	33
COTTAGE ELEMENTARY	57
COYLE AVENUE ELEMENTARY	93
CREEKSIDE ELEMENTARY	131
DEL CAMPO HIGH	910
DEL DAYO ELEMENTARY	87
DEL PASO MANOR ELEMENTARY	86
DETERDING (MARY) ELEMENTARY	144
DEWEY (HARRY) FUNDAMENTAL	67
DYER-KELLY ELEMENTARY	120
EDISON (THOMAS) ELEMENTARY	128
EL CAMINO FUNDAMENTAL HIGH	603
ENCINA HIGH	768
FAIR OAKS ELEMENTARY	107
GARFIELD ELEMENTARY	87
GOLD RIVER DISC. CENTER (YR)	135
GRAND OAKS ELEMENTARY	124

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GREEN OAKS FUNDAMENTAL	26
GREER ELEMENTARY	102
HOLST (JOHN) ELEMENTARY	77
HOWE AVENUE ELEMENTARY	137
KELLY (THOMAS) ELEMENTARY	52
KENNETH AVE	252
KINGSWOOD ELEMENTARY (YR)	108
LEGETTE (EARL) ELEMENTARY	64
LICHEN ELEMENTARY (YR)	83
LITTLEJOHN (LEIGHTON) ELEM	144
MARIEMONT ELEMENTARY	42
MARIPOSA AVENUE ELEMENTARY	108
MESA VERDE HIGH	871
MIRA LOMA HIGH	994
MISSION AVENUE ELEMENTARY	37
MITCHELL (BILLY) ELEMENTARY	106
NORTHRIDGE ELEMENTARY	108
OAKVIEW COMMUNITY ELEMENTARY	61
ORANGEVALE OPEN (K-8)	62
OTTOMON WAY ELEMENTARY	83
PALISADES ELEMENTARY	50
PASADENA AVENUE ELEMENTARY	82
PASTEUR (LOUIS) MIDDLE	157
PECK (CHARLES) ELEMENTARY	103
PERSHING ELEMENTARY	59
RIO AMERICANO HIGH	930
ROBERTS ELEMENTARY	59
ROGERS (WILL) MIDDLE	198
RUFF (LAUREL) CENTER	31
SALK ALTERNATIVE MIDDLE	605
SAN JUAN HIGH	690

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:

934085
SAN JUAN UNIFIED SD

(02) Type of Claim:

Reimbursement
Estimated

Fiscal Year:

1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
SCHWEITZER (ALBERT) ELEM	114
SIERRA OAKS ELEMENTARY	72
SKYCREST ELEMENTARY	191
STARR KING ELEMENTARY	63
STARR KING MIDDLE	123
SUNRISE ELEMENTARY (YR)	78
SYLVAN MIDDLE	224
TRAJAN ELEMENTARY	33
TWIN LAKES ELEMENTARY	92
WHITNEY AVENUE ELEMENTARY	127
WINTERSTEIN ADULT CENTER	54

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 S34085	Reimbursement Claim Data	
	(02) Claimant Name SAN JUAN UNIFIED SD	(22) LEAN-1, (03)	14,413
	County of Location SACRAMENTO	(23)	
	Street Address or P.O. Box PO BOX 477 PO BOX 477	(24)	
	City CARMICHAEL	State CA	Zip Code 95609-0477

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) <u>2001</u> / <u>2002</u>	(12) <u>2000</u> / <u>2001</u>	(30)
Total Claimed Amount	(07) \$ 183,477	(13) \$ 183,477	(31)
Less: 10% Late Penalty, not to exceed \$1000			(32)
Less: Prior Claim Payment Received			(33)
Net Claimed Amount		(16) \$ 183,477	(34)
Due From State	(08) \$ 183,477	(17) \$ 183,477	(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 _____

TOM TAFOYA _____ **INTERNAL AUDITOR**

Type or Print Name _____ Title _____

(38) Name of Contact Person For Claim _____ Telephone Number **(916) 669-0888** Ext. _____

Mandated Cost Systems, Inc. _____ E-mail Address **scohelp@mandated.com**

Program
048

**NOTIFICATION OF TRUANCY
CLAIM SUMMARY
INSTRUCTIONS**

**FORM
NOT-1**

(01) Claimant:

S34085

SAN JUAN UNIFIED SD

(02) Type of Claim:

Reimbursement

Estimated

Fiscal Year:

2000 / 2001

Claim Statistics

(03) Number of truant notifications

14,413

Cost

(04) Unit Cost per an initial truancy notification [\$12.73 for the 2000/01 fiscal year]

12.73

(05) Total Costs: [Line (03) x line(04)]

183,477

Cost Reduction

(06) Less: Offsetting Savings, if applicable

(07) Less: Other Reimbursements, if applicable

(08) Total Claimed Amount: {Line(05) - [Line(06) + line(07)]}

183,477

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
2000 / 2001

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE MS	87
ARDEN MS	126
ARLINGTON HEIGHTS	92
BARRETT MS	146
BELLA VISTA	719
BELLA VISTA ADULT EDUCATION	78
CAMBRIDGE HEIGHTS	47
CAMERON RANCH	84
CARMICHAEL	277
CARNEGIE MS	268
CARRIAGE	126
CASA ROBLE HS	709
CHURCHILL MS	279
CITRUS HEIGHTS	89
COLEMAN	35
COTTAGE	51
COWAN	49
COYLE	118
CREEKSIDE	129
DEL CAMPO	1,123
DEL DAYO	66
DEL PASO MANOR	72
DETERDING	185
DEWEY	62
DYER KELLY	153
EDISON	119
EL CAMINO	550
ENCINA	763
FAIR OAKS	100
GARFIELD	97
GOLD RIVER	82
88	6,881

MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1A
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(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2000 / 2001
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Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GRAND OAKS	134
GREEN OAKS	29
GREER	139
HOLST	82
HOWE AVENUE	157
KELLY	66
KENNETH ES	203
KINGSWOOD	141
LEGETTE	59
LICHEN	86
LITTLEJOHN	124
MARIEMONT	49
MARIPOSA	167
MESA VERDE HS	556
MIRA LOMA	1,008
MISSION	44
MITCHELL	114
NORTHRIDGE	103
OAKVIEW	64
ORANGEVALE	73
OTTOMON	125
PASADENA	83
PASTEUR MS	139
PECK	87
PERSHING	36
RIO AMERICANO	992
ROBERTS	63
ROGERS MS	183
RUFF	14
SALK ALTERNATIVE MS	526
SAN JUAN	711
89	13,238

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2000 / 2001
Estimated

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
SCHWEITZER	81
SIERRA OAKS	53
SKYCREST	203
STARR KING ES	86
STARR KING MS	111
SUNRISE	91
SYLVAN MS	214
TRAJAN	72
TWIN LAKES	92
WHITNEY	118
WOODSIDE	54
90	14,413

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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LABEL HERE	(01) Claimant Identification Number S34085		Reimbursement Claim Data	
	(02) Claimant Name SAN JUAN UNIFIED SD		(22) LEAN-1, (03)	16,792
	County of Location SACRAMENTO		(23)	
	Street Address or P.O. Box PO BOX 477 PO BOX 477		(24)	
	City CARMICHAEL	State CA	Zip Code 95609-0477	(25)

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" 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 checked="" type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(08) <u>2002</u> / <u>2003</u>	(12) <u>2001</u> / <u>2002</u>	(30)
Total Claimed Amount	(07) \$ 173,428	(13) \$ 216,785	(31)
Less: 10% Late Penalty, not to exceed \$1000			(32)
Less: Prior Claim Payment Received			(33)
Net Claimed Amount		(18) \$ 216,785	(34)
Due From State	(08) \$ 173,428	(17) \$ 216,785	(35)
Due to State		(18)	(36)

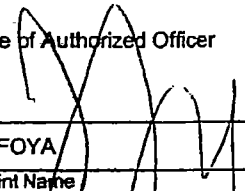
(37) CERTIFICATION OF CLAIM

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



 TOM TAFOYA
 Type or Print Name

Date 3/2/03

 INTERNAL AUDITOR
 Title

(38) Name of Contact Person For Claim: Mandated Cost Systems, Inc. Telephone Number: (916) 669-0888 Ext. _____

E-mail Address: scohelp@mandated.com

AMENDMENT EXPLANATION

SAN JUAN UNIFIED SCHOOL DISTRICT

S#34085

AMENDED CLAIM AMOUNT	\$216,785
ORIGINAL CLAIM AMOUNT	\$239,351
DIFFERENCE	(\$22,566)
10%	0.10
LATE PENALTY, UP TO \$1,000 MAXIMUM	\$0

THE DISTRICT'S 2001-2002 NOTIFICATION OF TRUANCY CLAIM (PROGRAM 048) IS BEING AMENDED DUE TO THE FOLLOWING:

1. Costs for school site "Initial Truant Notifications" were overstated on the original claim.

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

(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2001 / 2002
---	--	-----------------------------

Claim Statistics

(03) Number of truant notifications	16,792
-------------------------------------	--------

--	--

Cost	
(04) Unit Cost per an initial truancy notification [\$12.91 for the 2001/02 fiscal year]	12.91
(05) Total Costs: [Line (03) x line(04)]	216,785

Cost Reduction	
(06) Less: Offsetting Savings, if applicable	
(07) Less: Other Reimbursements, if applicable	
(08) Total Claimed Amount: {Line(05) - [Line(06) + line(07)]}	216,785

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2001 / 2002
Estimated

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE MS	104
ARDEN MS	138
ARLINGTON HEIGHTS	113
BARRETT MS	266
BELLA VISTA	565
CAMBRIDGE HEIGHTS	60
CAMERON RANCH	117
CARMICHAEL	261
CARNEGIE MS	411
CARRIAGE	163
CASA ROBLE HS	593
CHURCHILL MS	270
CITRUS HEIGHTS	131
COLEMAN	84
COTTAGE	153
COWAN	73
COYLE	115
CREEKSIDE	154
DEL CAMPO	866
DEL DAYO	63
DEL PASO MANOR	92
DELTA ES ACADEMY CDS	29
DELTA SECONDARY ACADEMY - CDS	68
DETERDING	191
DEWEY	67
EDISON	165
EL CAMINO	454
ENCINA	667
FAIR OAKS	97
GARFIELD	114
GOLD RIVER	110

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
2001 / 2002

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GRAND OAKS	189
GREEN OAKS	24
GREER	335
HOLST	106
HOWE AVENUE	394
KELLY	291
KENNETH ES	251
KINGSWOOD	224
LA ENTRADA	265
LA VISTA CENTER	73
LEGETTE	75
LICHEN	100
LITTLEJOHN	158
MARIEMONT	67
MARIPOSA	298
MESA VERDE HS	504
MIRA LOMA	784
MISSION	50
MITCHELL	98
NORTHRIDGE	80
OAKVIEW	87
ORANGEVALE	96
OTTOMON	154
PALOS VERDE	51
PASADENA	257
PASTEUR MS	217
PECK	169
PERSHING	175
RIO AMERICANO	882
ROBERTS	61
ROGERS MS	372

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2001 / 2002
Estimated

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
RUFF	20
SALK MS	556
SAN JUAN HS	675
SCHWEITZER	101
SIERRA NUEVA/ENCINA	107
SIERRA OAKS	68
SKYCREST	262
STARR KING ES	78
STARR KING MS	187
SUNRISE	83
SYLVAN MS	302
THOMAS KELLY	122
TRAJAN	86
TWIN LAKES	168
VIA DEL CAMPO	47
WHITNEY	212
WOODSIDE	77

SixTen and Associates Mandate Reimbursement Services

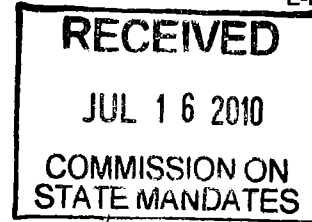
Exhibit B

KEITH B. PETERSEN, President

San Diego
5252 Balboa Avenue, Suite 900
San Diego, CA 92117
Telephone: (858) 514-8605
Fax: (858) 514-8645
www.sixtenandassociates.com

Sacramento
3270 Arena Blvd., Suite 400-363
Sacramento, CA 95834
Telephone: (916) 419-7093
Fax: (916) 263-9701
E-Mail: kbpsixten@aol.com

July 14, 2010



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

Re: Incorrect Reduction Claim of San Juan Unified School District-REVISED
Notification of Truancy
Fiscal Years: 1999-00, 2000-01, 2001-02

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced *revised* incorrect reduction claim for San Juan 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 G. Dencavage,
Chief Financial Officer
San Juan Unified School District
3738 Walnut Ave.
P.O. Box 477
Carmichael, CA 95609-0477

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. REVISED INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy

Original Incorrect No. 07-904133-I-05

2. CLAIMANT INFORMATION

San Juan Unified School District

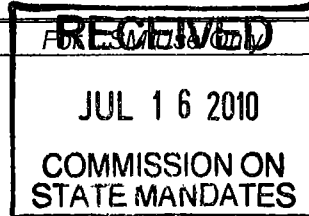
Michael Dencavage, Chief Financial Officer
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477
Voice: 916-971-7238
Fax: 916-979-8215
E-Mail: MDencavage@sanjuan.edu

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
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:



IRC #:

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Statutes of 1983, Chapter 498
Education Code Section 48260.5

5. AMOUNT OF INCORRECT REDUCTION

<u>Fiscal Year</u>	<u>REVISED Amount of Reduction</u>
1999-00	\$26,062
2000-01	\$29,711
2001-02	\$31,539
TOTAL:	\$87,312

6. NOTICE OF NO INTENT TO CONSOLIDATE

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

Sections 7-10 are attached as follows:

- 7. **Written Detailed Narrative:** Pages 1 to 12
- 8. **Controller Correspondence :** Exhibit A
- 9. **Revised Final Audit Report:** Exhibit B
- 10. **Original Incorrect Reduction Claim:** Exhibit C

11. 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 Dencavage, Chief Financial Officer


Signature Date 7-7-10

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	REVISED)	
13	INCORRECT REDUCTION CLAIM OF:)	RE: CSM <u>07-904133-I-05</u>
14)	
15)	Chapter 498, Statutes of 1983
16)	Education Code Section 48260.5
17	SAN JUAN UNIFIED)	
18)	<u>Notification of Truancy</u>
19	School District)	
20)	Annual Reimbursement Claims:
21	Claimant.)	
22)	Fiscal Year 1999-00
23)	Fiscal Year 2000-01
24)	Fiscal Year 2001-02
25	_____)	

26 INCORRECT REDUCTION CLAIM FILING

27 PART I. AUTHORITY FOR THE CLAIM

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

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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

4 Original Incorrect Reduction Claim

5 The Controller issued the original final audit report on December 30, 2004. The
6 District submitted an incorrect reduction claim on December 17, 2007. The District's
7 original incorrect reduction claim is attached as Exhibit "C." By letter dated February 4,
8 2008, the Commission on State Mandates notified the District that the incorrect
9 reduction claim was received December 18, 2007, and accepted for filing. The
10 Commission's letter is included in Exhibit "C."

11 Revised Incorrect Reduction Claim

12 The Controller issued a "revised" final audit report on November 25, 2009. The
13 revised final audit report is attached as Exhibit "B." The revised final audit report
14 constitutes a new and separate demand for repayment and an adjudication of the claim.
15 The Controller's audit report transmittal letter dated November 25, 2009, states that the
16 District may file an incorrect reduction claim if the District disagrees with the audit
17 findings, and there is no other dispute resolution process. Title 2, CCR, Section 1185
18 (b), requires incorrect reduction claims to be filed no later than three years following the
19 date of the Controller's action. There are no regulations specific to "revised" incorrect
20 reduction claims, but the District infers the same three-year period of limitations would
21 be applicable for filing a "revised" incorrect reduction claim in response to a "revised"

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

audit report. Thus, this "revised" incorrect reduction claim is timely filed.

PART II. SUMMARY OF THE CLAIM

The Controller conducted a field audit of the District's annual reimbursement claims for Fiscal Years 1999-00, 2000-01, and 2001-02, for the costs of complying with the legislatively mandated program Chapter 498, Statutes of 1983 Notification of Truancy.

Original Final Audit Report Dated December 30, 2004

As a result of the audit, the Controller determined that \$108,442 of the claimed costs were unallowable:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Audit Adjustment</u>	<u>SCO Payments</u>	<u>Amount Due <State> District</u>
1999-00	\$178,448	\$34,709	\$178,448	<\$34,709>
2000-01	\$183,477	\$39,934	\$142,855	\$ 688
2001-02*	<u>\$216,785</u>	<u>\$33,799</u>	<u>\$134,117</u>	<u>\$48,869</u>
Totals	\$578,710	\$108,442	\$455,420	\$14,848

* This is an amended claim.

The audit report states that the District has been paid \$455,420 for these claims and concludes that the amount of \$14,848 is due the District.

Revised Final Audit Reported Dated November 25, 2009

As a result of the revised audit, the Controller determined that \$87,312 of the claimed costs were unallowable:

/

Revised Incorrect Reduction Claim of San Juan Unified School District
 498/83 Notification of Truancy

	<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Audit Adjustment</u>	<u>SCO Payments</u>	<u>Amount Due <State> District</u>
3	1999-00	\$178,448	\$26,062	\$143,739	\$ 8,647
4	2000-01	\$183,477	\$29,711	\$143,543	\$10,223
5	2001-02*	<u>\$216,785</u>	<u>\$31,539</u>	<u>\$182,986</u>	<u>\$ 2,260</u>
6	Totals	\$578,710	\$87,312	\$470,268	\$21,130

* This is an amended claim.

The revised audit report states that the District has been paid \$470,268 for these claims and concludes that the amount of \$21,130 is due the District.

PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

The District filed a previous incorrect reduction claim for this mandate program on December 17, 2007, in response to the original audit report dated December 30, 2004. This previous incorrect reduction claim is pending Commission action. This "revised" incorrect reduction claim incorporates that incorrect reduction claim in its entirety and supplements that claim to the extent that the findings of the revised final audit report differ from the original final audit report.

PART IV. BASIS FOR REIMBURSEMENT

Add the following to the information provided in the first incorrect reduction claim.

4. Subsequent Legislation

Subsequent to the adoption of the test claim and the adoption of the 1993 amended parameters and guidelines, Education Code Section 48260 was amended by Chapter 1023, Statutes of 1994 and Chapter 19, Statutes of 1995, to state:

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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

7 “(b) Notwithstanding subdivision (a), it is the intent of the Legislature
8 that school districts shall not change the method of attendance accounting
9 provided for in existing law and shall not be required to employ period-by-period
10 attendance accounting.”

11 Chapter 1023, Statutes of 1994 and Chapter 19, Statutes of 1995, also amended

12 Education Code Section 48260.5 as follows:

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

16 “(a) That the pupil is truant.

17 “(b) That the parent or guardian is obligated to compel the attendance of
18 the pupil at school.

19 “(c) That parents or guardians who fail to meet this obligation may be
20 guilty of an infraction and subject to prosecution pursuant to Article 6
21 (commencing with Section 48290) of Chapter 2 of Part 27.

22 * * *

23 “***(d) That alternative educational programs are available in the district.

24 “***(e) That the parent or guardian has the right to meet with appropriate
25 school personnel to discuss solutions to the pupil's truancy.

26 “(f) That the pupil may be subject to prosecution under Section 48264.

27 “(g) That the pupil may be subject to suspension, restriction, or delay of
28 the pupil's driving privilege pursuant to Section 13202.7 of the Vehicle
29 Code.

30 “(h) That it is recommended that the parent or guardian accompany the
31 pupil to school and attend classes with the pupil for one day.”

32 These amendments created a conflict between the code and the parameters and
33 guidelines. The parameters and guidelines continued to require a notice that contained
34 *five* elements to be issued upon the *fourth* occasion of absence and the Education Code
35 amendments required a notice that contained *eight* elements to be issued upon the *third*

1 occasion of absence. This conflict was the subject of Chapter 69, Statutes of 2007 (AB
2 1698), which required the Commission on State Mandates to update the parameters and
3 guidelines. On January 31, 2008, the Commission adopted amended parameters and
4 guidelines pursuant to Chapter 69, Statutes of 2007, effective July 1, 2006, for annual
5 claims beginning FY 2006-07.

6 ~~4.~~ 5. Claiming Instructions

7 PART V. STATE CONTROLLER CLAIM ADJUDICATION

8 The Controller conducted an audit of the District's annual reimbursement claims
9 for Fiscal Years 1999-00, 2000-01, and 2001-02. The original final audit report was
10 issued December 30, 2004, a copy of which is included in Exhibit "C." The Controller
11 issued the revised final audit report on November 25, 2009, a copy of which is attached
12 as Exhibit "B."

13 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

14 The District submitted its original incorrect reduction claim on December 17,
15 2007, in response to the original final audit report dated December 30, 2004. Apparently
16 as a result of filing of the incorrect reduction claim, the Controller revised the original
17 audit report to change the method of extrapolating the statistical sample used to audit
18 the student notifications.¹ The revised audit report also changed the audited amount of

¹ February 4, 2008 letter

The revised audit report on page 3 states that revised audit findings are the result of a *District letter to the Commission* dated February 4, 2008, questioning the application of the statistical sampling results. The February 4, 2008, letter is actually a *letter from the*

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 claim payments. The District responded to the draft revised audit report by letter dated
2 October 30, 2009.

3 **Finding 1 Overclaimed number of initial truancies**

4 No change as a result of the revised audit report. The District is not disputing this
5 adjustment.

6 **Finding 2 Unallowable costs relating to initial truancies**

7 The revised audit report asserts that \$87,117 of the claimed costs are not
8 reimbursable because "pupils did not accumulate the required number of unexcused
9 absences to be classified as truant under the mandate program." The unallowable cost
10 amount as stated in the original final audit report was \$108,307. The revised audit
11 report increases the allowable costs by \$21,190. An e-mail dated September 3, 2009,
12 from Jim Venneman, Audit Supervisor, states that this change is a result of extrapolating
13 the sample results separately to the two sampling populations rather than one
14 extrapolation to the entire population. The total number of unallowable sampled notices
15 did not change, just the extrapolation universe. Mr. Venneman states that this is a more
16 accurate application of the sample findings. This e-mail is attached as Exhibit "A."

17 The revised audit report does not change the District's response on this issue.
18 The bifurcation of the extrapolation universe may be more representative in terms of the
19 calculation of the extrapolated amount, but the District still disputes the use of the

Commission to the District's representative and Controller staff notifying the parties that the incorrect reduction claim filing is complete.

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 sampling method for the reasons stated in the original incorrect reduction claim.

2 **Finding 3 Improper attendance accounting procedures of student truancies**

3 No change as a result of the revised audit report.

4 **Amount Paid by The State**

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

8

	Fiscal Year of Annual Claim		
<u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
9 As Claimed	\$ 0	\$ 0	\$ 0
10 Original Audit Report	\$178,448	\$142,855	\$134,117
11 Revised Audit Report	\$143,739	\$143,543	\$182,986

12
13 The propriety of these adjustments cannot be determined until the Controller states the
14 reason for each change.

15 **Statute of Limitations for Audit**

16 This issue is not an audit finding of the Controller. The original incorrect
17 reduction claim filed by the District on December 17, 2007, asserted that the FY 1999-00
18 and perhaps the FY 2000-01 annual claims were beyond the statute of limitations when
19 the Controller issued the original audit report on December 30, 2004. The Controller
20 issued the revised audit report on November 25, 2009. The District asserts that all three
21 fiscal years are now beyond the statute of limitations for revised audit findings.

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

Chronology of Claim Action Dates

1		
2	On or about January 11, 2001	FY 1999-00 claim filed by the District
3	Unknown	FY 2000-01 claim filed by the District
4	On or about March 7, 2003	FY 2001-02 amended claim filed by the District
5	December 31, 2003	FY 1999-00 statute of limitations for audit expires
6	December 31, 2003	FY 2000-01 statute of limitations for audit expires if
7		the claim was filed before January 1, 2002.
8	December 31, 2004	FY 2000-01 statute of limitations for audit expires if
9		the claim was filed after December 31, 2001, and
10		before January 1, 2003.
11	December 30, 2004	Controller's original final audit report issued
12	March 7, 2006	For FY 2001-02, the statute of limitations expires to
13		initiate an audit.
14	November 25, 2009	Controller's revised final audit report issued

15 The District's FY 1999-00 annual claim was mailed to the Controller on or about
16 January 11, 2001. According to Government Code Section 17558.5 (pursuant to
17 Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996), the FY 1999-00
18 annual reimbursement claim was subject to the completion of an audit no later than
19 December 31, 2003. The original audit was completed after this date.

20 It appears that the District's FY 2000-01 annual claim was timely submitted to the
21 Controller by January 15, 2002, since the audit report indicates no late filing penalty.
22 The District is unable to provide a copy of the signed FAM-27. However, the State
23 Controller has possession of the claim and knowledge of the filing date. According to

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 Government Code Section 17558.5 (Statutes of 1995, Chapter 945, Section 13,
2 operative July 1, 1996), if the FY 2000-01 claim was filed before January 1, 2002, it was
3 subject to completion of audit no later than December 31, 2003, and no later than
4 December 31, 2004, if the claim was filed after December 31, 2001 and before January
5 1, 2003. The original audit was completed December 30, 2004.

6 The District's amended FY 2001-02 annual claim was mailed to the Controller on
7 or about March 7, 2003. According to Government Code Section 17558.5, (Statutes of
8 2002, Chapter 1128, Section 14.5, operative January 1, 2003), the FY 2001-02 annual
9 reimbursement claim was subject to the initiation of an audit no later than March 7,
10 2006.

11 The new findings of the revised audit report were initiated by notice to the District
12 by e-mail dated September 3, 2009, from the Controller. Clearly, the Controller did not
13 initiate these new findings during the statutory period allowed for any of the three fiscal
14 years that are the subject of this audit. The revised audit findings are therefore void for
15 all three fiscal years.

16 **PART VIII. RELIEF REQUESTED**

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

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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

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

12 /

13 /

14 /

15 /

16 /

17 /

18 /

19 /

20 /

21 /

Revised Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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.

JULY 7

Executed on June ____, 2010, at Carmichael, California, by



Michael Dencavage, Chief Financial Officer
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477
Voice: 916-971-7238
Fax: 916-979-8215
E-Mail: MDencavage@sanjuan.edu

APPOINTMENT OF REPRESENTATIVE

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



Michael Dencavage, Chief Financial Officer
San Juan Unified School District

7-7-10

Date

Attachments:

- Exhibit "A" Controller's E-mail dated September 3, 2009
- Exhibit "B" Revised Audit Report dated November 25, 2009
- Exhibit "C" Original Incorrect Reduction Claim dated December 17, 2007
 - A. Controller's Payment Letters dated June 16, 2005
 - B. Parameters and Guidelines as amended July 22, 1993
 - C. Controller's Claiming Instructions revised October 1996
 - D. Controller's Original Audit Report dated December 30, 2004
 - E. Exit Conference Notes October 20, 2003
 - F. "Statistical Sampling Revisited" by Neal B. Hitzig
 - G. Annual Reimbursement Claims

Sent: Thursday, September 03, 2009 12:28 PM
To: Sharon Rew
Subject: FW: Reissued Notification of Truancy Audit Report

Dina Geiss

Director of Business Support Services

San Juan Unified School District

916-971-7293

From: jvenneman@sco.ca.gov [mailto:jvenneman@sco.ca.gov]
Sent: Thursday, September 03, 2009 12:08 PM
To: Dina Geiss
Cc: jspano@sco.ca.gov
Subject: Reissued Notification of Truancy Audit Report

Hi Donna,

We are in the process of reissuing our final audit report for the district's Notification of Truancy claims for FYs

1999-2000 through 2001-02. The original report was filed on December 30, 2004. The revised report increases allowable costs by \$21,130 (from \$470,268 to \$491,398).

We revised the audit report in response to a letter to CSM, dated February 4, 2008, in which 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 the entire student population in

the audit report. The results should have been applied to the two populations separately.

Consequently, our extrapolation was not accurate. Therefore, we have recomputed the extrapolation for each

sampled population separately and made corresponding changes in our audit adjustments, as noted above.

We wanted to let you know that we are issuing the revised report. Please let me know whether or not you agree

with the revision or have any other comments to make.

Thanks,

Jim Venneman, CPA

Audit Manager

State Controller's Office

Division of Audits - Mandated Cost Audits Bureau

916.322.9887-Office | 916.708.5825-Cell

916.324.7223-Fax

jvenneman@sco.ca.gov

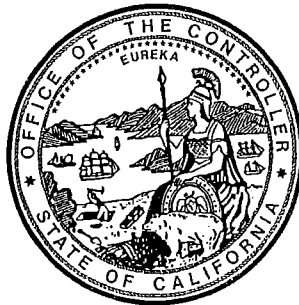
SAN JUAN UNIFIED SCHOOL DISTRICT

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 truanancies. 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

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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 I) 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>	<u>\$ 152,386</u>	<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>	<u>\$ 153,766</u>	<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>	<u>\$ 185,246</u>	<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>	<u>\$ 491,398</u>	<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 truancies**

The district claimed 11 initial truancies, 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
truancies**

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	\$ (25,927)	\$ (29,711)	\$ (31,539)	\$ (87,177)

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 truanancies**

The district did not use proper attendance accounting procedures for student truanancies 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 truanancies 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 truanancies. 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

COMMISSION ON STATE MANDATES

980 NINTH STREET, SUITE 300
SACRAMENTO, CA 95814
PHONE: (916) 323-3562
FAX: (916) 445-0278
E-mail: csminfo@csm.ca.gov



February 4, 2008

Mr. Keith B. Petersen
SixTen and Associates
3841 North Freeway Blvd., Suite 170
Sacramento, CA 95834

Ms. Ginny Brummels
Division of Accounting and Reporting
State Controller's Office
3301 C Street, Suite 501
Sacramento, CA 95816

Re: **Incorrect Reduction Claim**
Notification of Truancy, 07-904133-I-05
San Juan Unified School District, Claimant
Education Code Section 48260.5
Statutes 1983, Chapter 498
Fiscal Years 1999-2000, 2000-2001, and 2001-2002

Dear Mr. Petersen and Ms. Brummels:

On December 18, 2007, the San Juan Unified School District filed an incorrect reduction claim (IRC) with the Commission on State Mandates (Commission) based on the *Notification of Truancy* program for fiscal years 1999-2000, 2000-2001, and 2001-2002. Commission staff determined that the IRC filing is complete.

Government Code section 17551, subdivision (b), requires the Commission to hear and decide upon claims filed by local agencies and school districts that the State Controller's Office (SCO) has incorrectly reduced payments to the local agencies or school districts.

SCO Review and Response. Please file the SCO response and supporting documentation regarding this claim within 90 days of the date of this letter. Please include an explanation of the reason(s) for the reductions and the computation of reimbursements. All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge, information or belief. The Commission's regulations also require that the responses (opposition or recommendation) filed with the Commission be simultaneously served on the claimants and their designated representatives, and accompanied by a proof of service. (Cal. Code Regs., tit. 2, § 1185.01.)

The failure of the SCO to respond within this 90-day timeline shall not cause the Commission to delay consideration of this IRC.

Claimant's Rebuttal. Upon receipt of the SCO response, the claimant and interested parties may file rebuttals. The rebuttals are due 30 days from the service date of the response.

Mr. Petersen and Ms. Brummels
Page 2

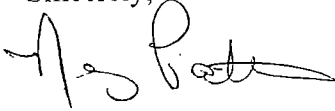
Prehearing Conference. A prehearing conference will be scheduled if requested.

Public Hearing and Staff Analysis. The public hearing on this claim will be scheduled after the record closes. A staff analysis will be issued on the IRC at least eight weeks prior to the public hearing.

Dismissal of Incorrect Reduction Claims. Under section 1188.31 of the Commission's regulations, IRCs may be dismissed if postponed or placed on inactive status by the claimant for more than one year. Prior to dismissing a claim, the Commission will provide 60 days notice and opportunity for the claimant to be heard on the proposed dismissal.

Please contact me at (916) 323-8217 if you have questions.

Sincerely,



NANCY PATTON
Assistant Executive Director

Enclosure: Incorrect Reduction Claim Filing - (SCO only)

SixTen and Associates Mandate Reimbursement Services

KEITH B. PETERSEN, MPA, JD, President
E-Mail: Kbpsixten@aol.com

San Diego
5252 Balboa Avenue, Suite 900
San Diego, CA 92117
Telephone: (858) 514-8605
Fax: (858) 514-8645

Sacramento
3841 North Freeway Blvd., Suite 170
Sacramento, CA 95834
Telephone: (916) 565-6104
Fax: (916) 564-6103

December 17, 2007

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

Re: Incorrect Reduction Claim of San Juan Unified School District
Notification of Truancy
Fiscal Years: 1999-00, 2000-01, 2001-02

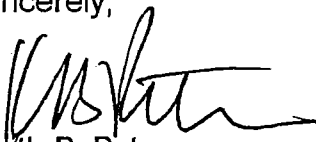
Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for San Juan 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:

Micheal G. Dencavage,
Chief Financial Officer
San Juan Unified School District
3738 Walnut Ave.
P.O. Box 477
Carmichael, CA 95609-0477

Sincerely,


Keith B. Petersen

COMMISSION ON STATE MANDATES

1. INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy

2. CLAIMANT INFORMATION

San Juan Unified School District
Michael G. Dencavage,
Chief Financial Officer
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477

Carmichael, CA 95609-0477

Voice: 916-971-7293

Fax: 916-971-7788

E-Mail: MDencavage@sanjuan.edu

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
3841 North Freeway Blvd., Suite 170
Sacramento, CA 95834
Voice: (916) 565-6104
Fax: (916) 564-6103
E-mail: Kbpsixten@aol.com

For CSM Use Only

Filing Date:

IRC #:

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Statutes of 1983, Chapter 498

Education Code Section 48260.5

5. AMOUNT OF INCORRECT REDUCTION

Fiscal Year	Amount of Reduction
1999-00	\$34,709
2000-01	\$39,934
2001-02	\$33,799

TOTAL: \$108,442

6. NOTICE OF NO INTENT TO CONSOLIDATE

No, 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 22
8. Controller's Letters:	Exhibit A
9. Parameters and Guidelines:	Exhibit B
10. Claiming Instructions:	Exhibit C
11. Final Audit Report:	Exhibit D
12. Exit Conference Notes:	Exhibit E
13. "Statistical Sampling Revisited":	Exhibit F
14. Reimbursement Claims:	Exhibit G

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 G. Dencavage, Chief Financial Officer

Michael G. Dencavage
Signature Date 12-12-2007

1 Claim Prepared by:
2 Keith B. Petersen
3 SixTen and Associates
4 3841 North Freeway Blvd., Suite 170
5 Sacramento, California 95834
6 Voice: (916) 565-6104
7 Fax: (916) 565-6103
8 E-mail: kbpsixten@aol.com

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

13
14 INCORRECT REDUCTION CLAIM OF:)

15) No. CSM _____
16)

17) Chapter 498, Statutes of 1983
18) Education Code Section 48260.5

19) **SAN JUAN UNIFIED**)

20) **School District**)

21) **Notification of Truancy**

22) Annual Reimbursement Claims:

23) Claimant.)

24) Fiscal Year 1999-00

25) Fiscal Year 2000-01

26) Fiscal Year 2001-02
27)

28)
INCORRECT REDUCTION CLAIM FILING

29 PART I. AUTHORITY FOR THE CLAIM

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

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1 or "Claimant") is a school district as defined in Government Code Section 17519. Title
2 2, CCR, Section 1185 (a), requires the claimant to file an incorrect reduction claim with
3 the 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 December 30, 2004 has been issued and constitutes a
8 demand for repayment and adjudication of the three annual reimbursement claims. On
9 June 16, 2005, the Controller issued a "results of review letter" for each of the three
10 annual reimbursement claims reporting the audit results and amounts due the state and
11 this constitutes a payment action. Copies of the Controller's "results of review letters"
12 are attached as Exhibit "A."

13 There is no alternative dispute resolution. The audit report transmittal letter
14 indicates that the District may dispute the audit by filing an incorrect reduction claim
15 with the Commission on State Mandates.

16 PART II. SUMMARY OF THE CLAIM

17 The Controller conducted a field audit of the District's annual reimbursement
18 claims for Fiscal Years 1999-00, 2000-01, and 2001-02, for the costs of complying with
19 the legislatively mandated program 498/83 Notification of Truancy. As a result of the
20 audit, the Controller determined that \$108,442 of the claimed costs were unallowable:

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	<u>Fiscal</u> <u>Year</u>	<u>Amount</u> <u>Claimed</u>	<u>Audit</u> <u>Adjustment</u>	<u>SCO</u> <u>Payments</u>	<u>Amount Due</u> <u><State> District</u>
3	1999-00	\$178,448	\$34,709	\$178,448	<\$34,709>
4	2000-01	\$183,477	\$39,934	\$142,855	\$ 688
5	2001-02*	<u>\$216,785</u>	<u>\$33,799</u>	<u>\$134,117</u>	<u>\$ 48,869</u>
6	Totals	\$578,710	\$108,442	\$455,420	\$14,848

* This is an amended claim.

The audit report states that the District has been paid \$455,420 for these claims and concludes that the amount of \$14,848 is due the District.

PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

The District has not filed any previous incorrect reduction claims for this mandate program. The District is not aware of any other incorrect reduction claims having been adjudicated on the specific issues or subject matter raised by this incorrect reduction claim. However, an incorrect reduction claim on this subject matter for Riverside Unified School District is pending hearing before the Commission.

PART IV. BASIS FOR REIMBURSEMENT

1. Mandate Legislation

Chapter 498, Statutes of 1983, added Section 48260.5 to the Education Code to require school districts to notify parents or guardians upon a pupil's initial classification of truancy of their specific obligations and the penalties for continued truancy, the availability of alternative education programs, and the opportunity to meet with school personnel to discuss solutions to the pupil's truancy.

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1 Education Code Section 48260.5 was amended by Chapter 1023, Statutes of
2 1994, to require additional content to notices (subdivisions f, g, and h), but that
3 amendment was not the subject of the test claim.

4 2. Test Claim

5 The State Board of Control, the predecessor body to the Commission on State
6 Mandates with jurisdiction regarding costs mandated by the state, determined on
7 November 29, 1984 that Education Code Section 48260.5 imposed an increased level
8 of service by requiring notifications be sent to the parents or guardians of pupils upon
9 initial classification of truancy.

10 3. Parameters and Guidelines

11 On August 27, 1987, the original parameters and guidelines were adopted,
12 revised on July 28, 1988, and then revised a final time on July 22, 1993. A copy of the
13 July 22, 1993 parameters and guidelines is attached as Exhibit "B."

14 4. Claiming Instructions

15 The Controller has periodically issued or revised claiming instructions for the
16 mandate program. A copy of the October 1996 revision of the claiming instructions is
17 attached as Exhibit "C." The October 1996 claiming instructions are believed to be, for
18 the purposes and scope of this incorrect reduction claim, substantially similar to the
19 version available at the time the annual reimbursement claims which are the subject of
20 this incorrect reduction claim were filed. However, since the Controller's claim forms
21 and instructions have not been adopted as regulations, they have no force of law, and,

1 therefore, have no effect on the outcome of this incorrect reduction claim.

2 PART V. STATE CONTROLLER CLAIM ADJUDICATION

3 The Controller conducted an audit of the District's annual reimbursement claims
4 for Fiscal Years 1999-00, 2000-01, and 2001-02. The audit concluded that 81% of the
5 District's costs, as claimed, were allowable. A copy of the December 30, 2004-audit
6 report is attached as Exhibit "D."

7 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

8 By letter dated October 28, 2004, the Controller transmitted a copy of its draft
9 audit report. The District did not respond to the draft audit report.

10 PART VII. STATEMENT OF THE ISSUES

11 The District has encountered some difficulty in preparing this incorrect reduction
12 claim because the audit report provides summary results and not the specific
13 components of the adjustment amounts. The other source of information available to
14 the District regarding the derivation of the adjustments is the exit conference notes
15 which are attached as Exhibit "E." However, the adjustment amounts in the audit report
16 are different from the amounts reported at the exit conference and no explanation of the
17 difference is provided in the audit report.

18 **Finding 1 Overclaimed number of initial truancies**

19 The district is not disputing this adjustment. This was finding #3 in the exit
20 conference notes.

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Finding 2 Unallowable costs relating to initial truancies

The audit report asserts that \$108,307 of the claimed costs are not reimbursable because "pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program." This audit report finding appears to be a merger of Exit Conference findings #1 and #2.

Adjustment Amounts

Reimbursement for this mandate is based on the actual number of notifications distributed multiplied by a uniform cost allowance for reimbursement in lieu of reporting direct and indirect costs. The dollar amounts of the adjustments are the result of reductions in the number of notices approved for reimbursement based upon the auditor's review of a "random sample" of truancy notifications. There are no indirect costs applied to the uniform cost allowance. The amounts adjusted are:

Annual Reimbursement Claim Fiscal Year

<u>Total Amount Adjusted</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Exit Conference Finding #1	\$23,017	\$25,282	\$30,881	\$79,180
Exit Conference Finding #2	<u>\$ 2,911</u>	<u>\$ 3,513</u>	<u>\$ 658</u>	<u>\$ 7,082</u>
Subtotal: EC Finding #1 and #2	\$25,928	\$28,795	\$31,539	\$86,262
Audit Report Finding #2	\$34,574	\$39,934	\$33,799	\$108,307
<u>Total Unallowable Truancy Notifications</u>				
Exit Conference Finding #1	1,882	1,986	2,392	6,260
Exit Conference Finding #2	<u>238</u>	<u>276</u>	<u>51</u>	<u>565</u>
Subtotal: EC Finding #1 and #2	2,120	2,262	2,443	6,825
Audit Report Finding #2	2,827	3,137	2,618	8,582

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1 Number of "Non-compliant" Sampled Notifications

2	Exit Conference Finding #1	51	55	45	151
3	Exit Conference Finding #2	<u>6</u>	<u>7</u>	<u>1</u>	<u>14</u>
4	Subtotal: EC Finding #1 and #2	57	62	46	165

5	Audit Report Finding #2	57	64	46	167
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6 Unit Cost Rate Multiplier

7 The unit cost rate multiplier was not adjusted.

8 The District is unable to ascertain the reason for the increase in the total dollar
9 amount and the extrapolated total unallowable notifications as reported at the exit
10 conference compared to the audit report when the number of non-compliant truancy
11 notifications sampled are essentially the same.

12 Reason for the Adjustments

13 The findings are based on the number of trancies incurred when the notification
14 was issued. The audit report states two reasons in support of the findings, either the
15 student did not have four absences [EC finding #1], or the student had less than three
16 absences [EC finding #2].

17 Statutory Requirements

18 Education Code Section 48260, as recodified by Chapter 1010, Statutes of 1976,
19 states:

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

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1 The parameters and guidelines were based on this definition of a truant, that is, a pupil
2 with more than three unexcused absences or tardy for more than three periods.

3 Education Code Section 48260, as amended by Chapter 1023, Statutes of 1994,
4 and Chapter 19, Statutes of 1995, states:

5 “(a) Any pupil subject to compulsory full-time education or to
6 compulsory continuation education who is absent from school without valid
7 excuse three full days in one school year or tardy or absent for more than any
8 30-minute period during the schoolday without a valid excuse ***on three
9 occasions in one school year, or any combination thereof, is a truant and shall
10 be reported to the attendance supervisor or to the superintendent of the school
11 district.

12 “(b) Notwithstanding subdivision (a), it is the intent of the Legislature
13 that school districts shall not change the method of attendance accounting
14 provided for in existing law and shall not be required to employ period-by-period
15 attendance accounting.”

16 The parameters and guidelines were never amended to incorporate the change in the
17 Education Code definition of a truant. The parameters and guidelines require at least
18 four unexcused absences for the pupil to be classified as a reimbursable truant, while
19 Education Code Section 48260 requires only three unexcused absences. Also, note
20 that the amendment to Education Code Section 48260 makes clear that the legislature
21 did not intend school districts to change their method of attendance accounting just to
22 comply with this change in the code.

23 Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983,
24 states:

25 “(a) Upon a pupil's initial classification as a truant, the school district
26 shall notify the pupil's parent or guardian, by first-class mail or other reasonable
27 means, of the following:

28 (1) That the pupil is truant.

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1 (2) That the parent or guardian is obligated to compel the
2 attendance of the pupil at school.

3 (3) That parents or guardians who fail to meet this obligation may
4 be guilty of an infraction and subject to prosecution pursuant to Article 6
5 (commencing with Section 48290) of Chapter 2 of Part 27.

6 (b) The district also shall inform the parents or guardians of the
7 following:

8 (1) Alternative educational programs are available in the district.

9 (2) The right to meet with appropriate school personnel to discuss
10 solutions to the pupil's truancy."

11 This is the source of the scope of the notice upon which the parameters and guidelines
12 are based.

13 Education Code Section 48260.5, as amended by Chapter 1023, Statutes of
14 1994, states:

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

18 (a) That the pupil is truant.

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

21 (c) That parents or guardians who fail to meet this obligation may be
22 guilty of an infraction and subject to prosecution pursuant to Article 6
23 (commencing with Section 48290) of Chapter 2 of Part 27.

24 ***

25 *** (d) That alternative educational programs are available in the district.

26 *** (e) That the parent or guardian has the right to meet with appropriate
27 school personnel to discuss solutions to the pupil's truancy.

28 (f) That the pupil may be subject to prosecution under Section 48264.

29 (g) That the pupil may be subject to suspension, restriction, or delay of
30 the pupil's driving privilege pursuant to Section 13202.7 of the Vehicle
31 Code.

32 (h) That it is recommended that the parent or guardian accompany the
33 pupil to school and attend classes with the pupil for one day."

34 The parameters and guidelines were never amended to incorporate the increase in the
35 scope of the content of the notice letter which resulted from this amendment of the

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1 Education Code.

2 Number of Truancies Required

3 The audit report states "Although *Education Code* Section 48260(a) (as
4 amended in 1994), defines a truant student as one who is absent from school without a
5 valid excuse three full days in one school year or tardy or absent for more than any 30-
6 minute period during the school day without a valid excuse on three occasions in one
7 school year, or any combination thereof, *Parameters and Guidelines* requires at least
8 four unexcused absences to be classified as a reimbursable truant."

9 As for the number of truancies required for the notice, the parameters and
10 guidelines do not specify attendance accounting procedures. Attendance accounting is
11 controlled by the Education Code. The District complied with the Education Code as
12 amended after the parameters and guidelines, and the parameters and guidelines,
13 which as quasi-regulations, are inferior to the Code. The attendance and truancy
14 information was recorded on a contemporaneous basis as required by the Education
15 Code. The truancies were recorded and the notices were distributed, therefore actual
16 costs were incurred, and the audit report does not state that the work was not
17 performed.

18 Reimbursement Based on Statistical Sampling

19 The audit report states that its finding is based upon a statistical sample of 883
20 truancy notifications actually examined from a universe of 45,785 notices for the three

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1 fiscal years.¹ The findings from the review of less than two percent of the total number
2 of notices are extrapolated to the total number of notices claimed and the annual
3 reimbursement claims adjusted based on the extrapolation. The propriety of a mandate
4 audit adjustment based on the statistical sampling technique is a threshold issue in that
5 if the methodology used is rejected, as it should be, the extrapolation is void and the
6 audit findings can only pertain to documentation actually reviewed, that is, the 883
7 notifications used in the audit report.

8 LEGAL AUTHORITY: The Controller has cited no statutory or regulatory authority to
9 allow the Controller to reduce claimed reimbursement based on extrapolation of a
10 statistical sample. The Controller does not assert that the claimed costs were
11 excessive or unreasonable, which is the only mandated cost audit standard in statute
12 (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire
13 findings are based upon the wrong standard for review. There is no provision to allow
14 claimants to claim costs based on sampling and extrapolation, or for the Controller to
15 audit or make findings in the same manner. There is no published audit manual for
16 mandate reimbursement or the audit of mandate claims in general, or any published
17 audit program for this mandate program which allows this method of audit or allows
18 adjustment of amounts claimed in this manner. Adjustment of the claimed costs based
19 on an extrapolation from a statistical sample is utilizing a standard of general

¹ The Controller in Finding 2 recalculated the notices for fiscal year 1999-00 from 14,591 notices as claimed by the District to 14,580 notices for reasons stated in Finding 1. The District does not dispute this adjustment.

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1 application without the benefit of compliance with the Administrative Procedure Act,
2 thus, the application of the method is prohibited by the Government Code.

3 UTILITY OF THE SAMPLING METHODOLOGY: A statistically valid sample
4 methodology is a recognized audit tool for some purposes. See Exhibit "F" ("Statistical
5 Sampling Revisited"). The purpose of sampling is to determine the results of
6 transactions or whether procedures were properly applied to the reported transactions.
7 In the case of reimbursement for this mandate, the state reimburses a specific dollar
8 amount for each transaction, the notice sent to parents, so that outcome is not being
9 tested. What the Controller purports to be testing is whether the notices are
10 reimbursable based on the number of prerequisite absences, which is testing for
11 procedural compliance. Testing to detect the rate of error within tolerances is the
12 purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount
13 of the error, which the Controller has inappropriately done so here. This is a failure of
14 auditor judgment both in the purpose of the sampling and the use of the findings.

15 SAMPLING RESULTS: Based on statements in the audit report and exit conference
16 materials, the sampling process yielded the following "findings":

17	<u>Sample Size</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
18	Total claimed notifications	14,591	14,413	16,792	45,796
19	Less Finding 1	<11>			
20	Audited notifications claimed	14,580	14,413	16,792	45,785
21	Number of schools in the district	70	70	70	
22	Average number notices/school	208	206	240	

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1	Total notices in entire sample	294	294	295	883
2	Notice group 1 (elementary &				
3	special education students)	146	146	147	439
4	Notice group 2 (middle & high				
5	school students)	148	148	148	444
6	Percentage of the sample to total	2.02%	2.04%	1.76%	1.93%
7	<u>Audit Results</u>				
8	Alleged "unallowable" notices	57	64	46	167
9	Percentage "noncompliant"	19.4%	21.8%	15.6%	18.9%
10	<u>Reason for Noncompliance</u>				
11	Less than 4 unexcused absences	51	55	40	146
12	3 unexcused absences	6	9	6	21

13 **SAMPLE RISK:** The ultimate risk for extrapolating findings from a sample is that the
 14 conclusions obtained from the sample may not be representative of the universe. That
 15 is, the errors perceived from the sample do not occur at the same rate in the universe.
 16 That is what has occurred in this audit. There are several qualitative reasons that a
 17 random selection of notices will not be representative of the universe. The auditor was
 18 allegedly sampling for compliance here, and the sample indicated that there were
 19 several methods of compliance. There is no showing that the sample accurately
 20 reflects the relative occurrence of truancies at different grade levels. Half the sample
 21 was taken for middle and high schools, but extrapolated to the total notices claimed,
 22 eliminating any perceived "stratification." This does not take into account that the
 23 incidence of truancy in secondary schools is generally greater than elementary schools.

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1 Since there is no indication that the sample was randomly selected from school types or
2 grade levels, the extrapolation is non-representative in this aspect.

3 **SAMPLE ERROR:** In addition to the qualitative concerns discussed, quantitative
4 extrapolation of the sample to the universe depends on a statistically valid sample
5 methodology. Extrapolation does not ascertain actual cost. It ascertains probable
6 costs within an interval. The sampling technique used by the Controller is quantitatively
7 non-representative. For the three fiscal years, the Controller determined that there
8 were 45,785 notices distributed by the District. The total sample size for the three years
9 was 883 notices, 294 notices per year for fiscal years 1999-00 and 2000-01, and 295
10 notices per year for fiscal year 2001-02. Less than two percent of the total number of
11 notices were audited (1.93%). The number of notices sent by one school would be
12 about 1.43% of the total notices. The stated precision rate was plus or minus 8%, even
13 though the sample size was nearly identical for all three fiscal years, and even though
14 the audited number of notices claimed in FY 2000-01 (14,413) is 14% smaller than the
15 size of FY 2001-02 (16,792). The expected error rate is stated to be 50%, which
16 means the total amount adjusted of \$108,307 is really just a number exactly between
17 \$54,154 (50%) and \$162,461 (150%). An "interval" cannot be used as a finding of
18 actual cost. Nor can be the midrange amount.

19 Scope of Audit Findings

20 Since the statistical sampling performed by the auditor fails for legal, qualitative,
21 and quantitative reasons, the remaining revised audit findings are limited to the 883

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1 notices in the audit report that were actually investigated. The Controller cannot
2 disallow costs for noncompliant notices for notices which were never audited.

3 No Basis for Adjustments

4 There is no factual foundation for the disallowances. They are extrapolations of
5 incongruous samples selected from a non-uniform statistical universe. Therefore, there
6 is no basis in fact or law to support the Controller's specific and extrapolated findings.
7 The Controller does not assert that the claimed costs were excessive or unreasonable,
8 which is the only mandated cost audit standard in statute (Government Code Section
9 17561(d) (2)). It would therefore appear that the entire findings are based upon the
10 wrong standard for review. If the Controller wishes to enforce other audit standards for
11 mandated cost reimbursement, the Controller should comply with the Administrative
12 Procedure Act.

13 **Finding 3 Improper attendance accounting procedures of student truancies**

14 This finding contains no fiscal impact. The audit report recommends "that the
15 district develop adequate truancy accounting policies and procedures consistent with
16 Education Code Section 48260 (a) and Section I of Parameters and Guidelines." The
17 audit report asserts that the District "did not use proper attendance accounting
18 procedures for student truancies." It appears the audit report confuses attendance
19 accounting procedures, required by the Education Code, with mandate claiming
20 procedures. The Controller was not auditing the District's attendance accounting
21 procedures, but the number of "initial truancies" claimed for reimbursement. The

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1 scope of the audit report findings is limited to mandate claim reimbursement and
2 unfounded comments regarding the attendance accounting procedures required by the
3 Education Code are without merit.

4 **Amount Paid by The State**

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

	Fiscal Year of Annual Claim		
<u>Amount Paid by the State</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
10 As Claimed	\$ 0	\$ 0	\$ 0
11 Audit Report	\$178,448	\$142,855	\$134,117

12 The propriety of these adjustments cannot be determined until the Controller states the
13 reason for each change.

14 **Statute of Limitations for Audit**

15 This issue is not an audit finding of the Controller. The District asserts that the
16 FY 1999-00 annual reimbursement claim and perhaps the FY 2000-01 claim was
17 beyond the statute of limitations for an audit when the Controller issued its audit report
18 on December 30, 2004.

19 /

20 /

21 /

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1 Chronology of Claim Action Dates

2 January 11, 2001 FY 1999-00 claim filed by the District
3 Unknown FY 2000-01 claim filed by the District
4 December 31, 2003 FY 1999-00 statute of limitations for audit expires and
5 perhaps for FY 2000-01 if that claim was filed before
6 January 1, 2002.
7 December 30, 2004 Controller's final audit report issued

8 The District's FY 1999-00 claim was mailed to the Controller on or about January
9 11, 2001. According to Government Code Section 17558.5, the FY 1999-00 annual
10 reimbursement claim was subject to audit no later than December 31, 2003. The audit
11 was completed after this date. Therefore, the audit adjustment for this fiscal year is
12 barred by the statute of limitations.

13 The District's FY 2000-01 claim was timely filed to the Controller by January 15,
14 2002, since the audit report indicates no late filing penalty. The District's mandate
15 claim preparation consultant, due to the passage of time, is unable to provide the
16 District a copy of the signed FAM-27. However, the State Controller has possession of
17 the claim and knowledge of the filing date. If the FY 2000-01 claim was filed before
18 January 1, 2002, it was subject to audit no later than December 31, 2003.

19 Statutory History

20 Prior to January 1, 1994, no statute specifically governed the statute of
21 limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906,
22 Section 2, operative January 1, 1994, added Government Code Section 17558.5 to

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1 establish for the first time a specific statute of limitations for audit of mandate

2 reimbursement claims:

3 “(a) A reimbursement claim for actual costs filed by a local agency or school
4 district pursuant to this chapter is subject to audit by the Controller no later than
5 four years after the end of the calendar year in which the reimbursement claim is
6 filed or last amended. However, if no funds are appropriated for the program for
7 the fiscal year for which the claim is made, the time for the Controller to initiate
8 an audit shall commence to run from the date of initial payment of the claim.”

9 Thus, there are two standards. A funded claim is “subject to audit” for four years after
10 the end of the calendar year in which the claim was filed. An “unfunded” claim must
11 have its audit “initiated” within four years of first payment.

12 Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and
replaced Section 17558.5, changing only the period of limitations:

13 “(a) A reimbursement claim for actual costs filed by a local agency or school
14 district pursuant to this chapter is subject to audit by the Controller no later than
15 two years after the end of the calendar year in which the reimbursement claim is
16 filed or last amended. However, if no funds are appropriated for the program for
17 the fiscal year for which the claim is made, the time for the Controller to initiate
18 an audit shall commence to run from the date of initial payment of the claim.”
19

20 The FY 1999-00 annual reimbursement claim and the FY 2000-01 claim are subject to
21 the two-year statute of limitations established by Chapter 945, Statutes of 1995. FY
22 1999-00 and perhaps FY 2000-01 were no longer subject to audit when the audit report
23 was issued. Since funds were appropriated for the program for all the fiscal years
24 which are the subject of the audit, the alternative measurement date is not applicable,
25 and any potential factual issue of when the audit is initiated is not relevant.

26 Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003

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1 amended Section 17558.5 to state:

2 “(a) A reimbursement claim for actual costs filed by a local agency or school
3 district pursuant to this chapter is subject to the initiation of an audit by the
4 Controller no later than three years after the ~~end of the calendar year in which~~
5 the date that the actual reimbursement claim is filed or last amended, whichever
6 is later. However, if no funds are appropriated or no payment is made to a
7 claimant for the program for the fiscal year for which the claim is made filed, the
8 time for the Controller to initiate an audit shall commence to run from the date of
9 initial payment of the claim.”

10
11 The amended FY 2001-02 annual reimbursement claim is subject to this statute and
12 was still subject to audit when the audit report was released. The code section
13 amendment is pertinent since it indicates this is the first time that the factual issue of
14 the date the audit is “initiated” is introduced for mandate programs for which funds are
15 appropriated. This also means that, at the time the claim is filed, it is impossible for the
16 claimant to know when the statute of limitations will expire, which is contrary to the
17 purpose of a statute of limitations. This amendment also allows the Controller’s own
18 unilateral delay or failure to make payments from funds appropriated for the purpose of
19 paying the claims to control the tolling of the statute of limitations, which is contrary to
20 the purpose of a statute of limitations.

21 Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended
22 Section 17558.5 to state:

23 “(a) A reimbursement claim for actual costs filed by a local agency or school
24 district pursuant to this chapter is subject to the initiation of an audit by the
25 Controller no later than three years after the date that the actual reimbursement
26 claim is filed or last amended, whichever is later. However, if no funds are
27 appropriated or no payment is made to a claimant for the program for the fiscal
28 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,

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1 an audit shall be completed not later than two years after the date that the audit
2 is commenced."

3 None of the fiscal period claims which are the subject of the audit are subject to
4 this amended version of Section 17558.5. The amendment is pertinent since it
5 indicates this is the first time that the Controller audits may be completed at a time other
6 than the stated period of limitations.

7 Clearly, the Controller did not complete the audit within the statutory period
8 allowed for FY 1999-00, and perhaps FY 2000-01. The audit findings are therefore void
9 for FY 1999-00 and perhaps FY 2000-01.

10 PART VIII. RELIEF REQUESTED

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

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

1 basis for its actions.

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

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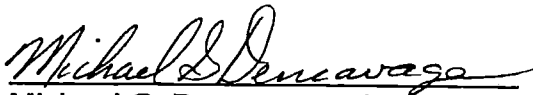
21 /

Incorrect Reduction Claim of San Juan Unified School District
498/83 Notification of Truancy

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.

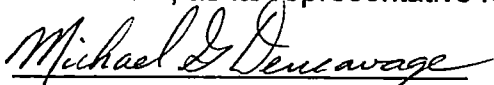
Executed on December 12, 2007, at Carmichael, California, by



Michael G. Dencavage, Chief Financial Officer
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477
Voice: 916-971-7293
Fax: 916-971-7788
E-Mail: MDencavage@sanjuan.edu

APPOINTMENT OF REPRESENTATIVE

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



Michael G. Dencavage, Chief Financial Officer
San Juan Unified School District

12-12-2007
Date

Attachments:

Exhibit "A" Controller's Letters dated June 16, 2005
Exhibit "B" Parameters and Guidelines as amended July 22, 1993
Exhibit "C" Controller's Claiming Instructions revised October 1996
Exhibit "D" Controller's Audit Report dated December 30, 2004
Exhibit "E" Exit Conference Notes
Exhibit "F" "Statistical Sampling Revisited" by Neal B. Hitzig
Exhibit "G" Annual reimbursement claims



STEVE WELLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 1999/2000 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		178,448.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	34,709.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-178,448.00
AMOUNT DUE STATE		<u>\$ 34,709.00</u>

PLEASE REMIT A WARRANT IN THE AMOUNT OF \$ 34,709.00 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 MOHAMMED AZIZ AT (916) 323-2892 OR IN WRITING AT THE ABOVE ADDRESS.

ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	-	34,709.00
TOTAL ADJUSTMENTS	-	34,709.00
PRIOR PAYMENTS:		
SCHEDULE NO. MA12135A		
PAID 12-27-2001	-82,827.00	
SCHEDULE NO. MA92327E		
PAID 03-13-2000	-95,621.00	
TOTAL PRIOR PAYMENTS		-178,448.00

Offset

M.R.P 04/05 2100 - 19,802.00
M.R.P 02/03 Claim - 2 14,907.00
9,895.00

SINCERELY,

Ginny Brummels
 GINNY BRUMMELS, MANAGER



STEVE WESTLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2000/2001 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 183,477.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 39,934.00

TOTAL ADJUSTMENTS - 39,934.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA02316E 142,855.00
 PAID 03-08-2001

AMOUNT DUE CLAIMANT \$ 688.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT MOHAMMED AZIZ AT (916) 323-2892 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.

SINCERELY,

Devin Burrows



STEVE WESTLY
 California State Controller
 Division of Accounting and Reporting
 JUNE 16, 2005

S34085
 00048
 2005/06/16

BOARD OF TRUSTEES
 SAN JUAN UNIFIED SCHOOL DIST
 SACRAMENTO COUNTY
 3738 WALNUT AVENUE
 CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

WE HAVE REVIEWED YOUR 2001/2002 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED 216,785.00

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS - 33,799.00

TOTAL ADJUSTMENTS - 33,799.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA12141E
 PAID 03-15-2002

134,117.00

AMOUNT DUE CLAIMANT

\$ 48,869.00

Pd
06/07

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT MOHAMMED AZIZ AT (916) 323-2892 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.

SINCERELY,

Steve Westly

COMMISSION ON STATE MANDATES

14 K Street, Suite 315
SACRAMENTO, CA 95814
916-223-3562



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,

A handwritten signature in black ink, appearing to read "Ellen L. O'Connor".

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"/>	(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 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	Fiscal Year
	Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	20__/20__
Claim Statistics		
(03) Number of truant notifications		
Cost		
(04) Unit Cost per an initial truancy notification	[\$13.20 for the 2002-03 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 third 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 2002-03 fiscal year is \$13.20
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.

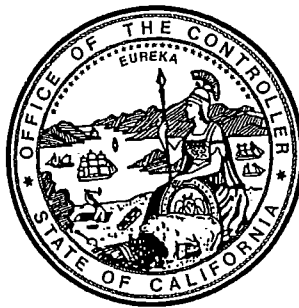
SAN JUAN UNIFIED SCHOOL DISTRICT

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 30, 2004

General Davie Jr., Ed.D.
Superintendent of Schools
San Juan Unified School District
3738 Walnut Avenue
P.O. Box 477
Carmichael, CA 95609-0477

Dear Dr. Davie:

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.

The district claimed \$578,710 for the mandated program. Our audit disclosed that \$470,268 is allowable and \$108,442 is unallowable. The unallowable costs occurred primarily because the district claimed costs of notifications issued to pupils with less than four trancies. The district was paid \$455,420. Allowable costs claimed exceed the amount paid by \$14,848.

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/jj

cc: (See page 2)

cc: Dina Geiss, CPA
Director of Business Support Services
San Juan Unified School District
Sharon Ferrante
Compliance Auditor
School Innovations and Advocacy
David W. Gordon, County Superintendent of Schools
Sacramento 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

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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 last day of fieldwork was October 20, 2003.

The district claimed \$578,710 for the mandated program. The audit disclosed that \$470,268 is allowable and \$108,442 is unallowable. The unallowable costs occurred primarily because the district claimed costs of notifications issued to pupils with less than four trancies. The district was paid \$455,420. Allowable costs claimed exceed the amount paid by \$14,848.

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 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. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed are allowable for reimbursement. Accordingly, we examined transactions, 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 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 \$470,268 is allowable and \$108,442 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$178,448 by the State. Our audit disclosed that \$143,739 is allowable. The amount paid in excess of allowable costs claimed, totaling \$34,709, should be returned to the State.

For FY 2000-01, the district was paid \$142,855 by the State. Our audit disclosed that \$143,543 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$688, will be paid by the State based upon available appropriations.

For FY 2001-02, the district was paid \$134,117 by the State. Our audit disclosed that \$182,986 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$48,869, 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.

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

**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</u>	<u>Reference</u> ¹
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	14,591	11,753	(2,838)	
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	Findings 1, 2
Total costs	<u>\$ 178,448</u>	\$ 143,739	<u>\$ (34,709)</u>	
Less amount paid by the State		<u>(178,448)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (34,709)</u>	
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	14,413	11,276	(3,137)	
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	Finding 2
Total costs	<u>\$ 183,477</u>	\$ 143,543	<u>\$ (39,934)</u>	
Less amount paid by the State		<u>(142,855)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ 688</u>	
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,792	14,174	(2,618)	
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	Finding 2
Total costs	<u>\$ 216,785</u>	\$ 182,986	<u>\$ (33,799)</u>	
Less amount paid by the State		<u>(134,117)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ 48,869</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Number of truancy notifications	<u>45,796</u>	<u>37,203</u>	<u>(8,593)</u>	
Total costs	<u>\$ 578,710</u>	\$ 470,268	<u>\$(108,442)</u>	
Less amount paid by the State		<u>(455,420)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ 14,848</u>	

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overclaimed number
of initial truancies**

The district claimed 11 initial truancies, 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
truancies**

The district claimed \$108,307 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 audit adjustment is summarized as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Allowable per audit	\$ 143,874	\$ 143,543	\$ 182,986	\$ 470,403
Less actual costs claimed	<u>(178,448)</u>	<u>(183,477)</u>	<u>(216,785)</u>	<u>(578,710)</u>
Audit adjustment	<u>\$ (34,574)</u>	<u>\$ (39,934)</u>	<u>\$ (33,799)</u>	<u>\$ (108,307)</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 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	57	64	46	
Truant pupils sampled	÷ 294	÷ 294	÷ 295	
Unallowable percentage Truancy notifications claimed	(19.39)%	(21.77)%	(15.59)%	
	<u>14,580</u>	<u>14,413</u>	<u>16,792</u>	
Projected unallowable truancy notifications	(2,827)	(3,137)	(2,618)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (34,574)</u>	<u>\$ (39,934)</u>	<u>\$ (33,799)</u>	<u>\$ (108,307)</u>

For FY 1999-2000, we sampled 294 of the notifications claimed. Fifty-seven notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 57 notifications, 6 were issued to pupils who had fewer than three unexcused absences during the entire school year.

For FY 2000-01, we sampled 294 of the notifications claimed. Sixty-four notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 64 notifications, 9 were issued to pupils who had fewer than three unexcused absences during the entire school year.

For FY 2001-02, we sampled 295 of the notifications claimed. Forty-six notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. Of the 46 notifications, 6 were issued to pupils who had fewer than three unexcused absences during the entire school year.

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 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* 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 claim reimbursement under the Notification of Truancy Program only 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(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, *Parameters and Guidelines* requires at least four unexcused absences to be classified as a reimbursable truant.

**FINDING 3—
Improper attendance
accounting
procedures of student
truancies**

The district did not use proper attendance accounting procedures for student truancies 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 truancies did not meet the criteria specified in Section I of *Parameters and Guidelines* or language contained in *Education Code* Section 48260(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 truancies. 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 non-compliance issue based solely on the timing of letter distributions. Unallowable costs related to notifications issued to pupils that did not have four or more unexcused absences are discussed in Finding 2.

Section I of *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). Currently, *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 that the district develop adequate truancy accounting policies and procedures consistent with *Education Code* Section 48260(a) and Section I of *Parameters and Guidelines*, to ensure that all claimed costs are eligible and properly supported.

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

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

S03-MCC-024

EXIT

SAN JUAN UNIFIED SCHOOL DISTRICT
LEGISLATIVELY MANDATED NOTICE OF TRUANCY PROGRAM
EXIT CONFERENCE
FISCAL YEARS 1999/00 THROUGH 2001/02

TYPE OF AUDIT: Compliance audit of the Mandated Notification of Truancy Program claims submitted by the district

FISCAL YEARS (FY's) OF AUDIT: 1999/00, 2000/01, and 2001/02

DATE OF EXIT: October 20, 2003 ✓

PERSONS ATTENDING	TITLE
Tom Tafoya	Internal Auditor - SJUSD
Joe Tucker	Attendance Improvement Support Services Coordinator - SJUSD
Steve Smith	Manager, Governmental and Client Relations - MCS
John Conshafter	Compliance Auditor - MCS
Kris Kelley	Consultant - MCS
Jim Venneman	Audit Manager - SCO
Stephanie Lo	Audit Staff - SCO

BACKGROUND:

The State enacted Chapter 498, Statutes of 1983, requiring special notifications be sent to the parents or guardians of pupil's 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 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 (non 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.

*Marina Kelly
Sweetwater S.D.*

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.

AUDIT OBJECTIVES:

- The objective of the audit is to determine whether costs claimed represent increased costs resulting from the legislatively mandated *Notification of Truancy* program, Chapter 498, Statutes of 1983, codified as *Education Code* Section 48260.5, for the period of July 1, 1999 through June 30, 2002.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandate 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* for performance audits, 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.

The SCO used statistical sampling to test the claimed costs. For FY 99/00 through FY 01/02, the SCO auditor stratified the total population into two groups, namely (1) Elementary and Special Education School students, and (2) Middle and High School students. The stratification is due to non-homogeneity of the total population in accounting for student absences.

FINDING 1 – Non-reimbursable truancies claimed

During the fiscal years (FYs) 1999/00, 2000/01, and 2001/02, the district claimed reimbursements in the amount of \$79,180 for 6,260 initial notifications of truancy that did not meet the definition of a "reimbursable" truancy per the *Parameters and Guidelines*.

Districts lost thousands for talking vs
 P 36.

The *Parameters and Guidelines* for the Notification of Truancy program, Section I, defines that "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 one school year. (Definition from Education Code Section 48260.)"

The *Parameters and Guidelines*, Section I also requires "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."

For FY 99/00, the auditor found that 1,882 notifications were non-compliant. The random sample testing results indicated that in the first group, 47 out of 146 student records were non-compliant, and in the second group, 4 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 1,882, resulting in an unallowable cost of \$23,017.

For FY 00/01, the auditor found that 1,986 notifications were non-compliant. The random sample testing results indicated that in the first group, 54 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 1,986, resulting in an unallowable cost of \$25,282.

For FY 01/02, the auditor found that 2,392 notifications were non-compliant. The random sample testing results indicated that in the first group, 37 out of 147 student records were non-compliant, and in the second group, 8 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 2,392, resulting in an unallowable cost of \$30,881.

A summary of the unallowable costs is as follows:

	FY 1999/00	FY 2000/01	FY 2001/02	Total
Number of Unallowable Notifications Claimed	1,882	1,986	2,392	6,260
Uniform Costs Allowance	\$ 12.23	\$ 12.73	\$ 12.91	
Audit Adjustment	\$ 23,017	\$ 25,282	\$ 30,881	\$ 79,180

Recommendation:

Costs claimed by the district in the amount of \$79,180 are unallowable under the Notification of Truancy Program for FY 99/00 through FY 01/02, and must be reimbursed back to the State.

In addition, the district should develop adequate truancy accounting policies and procedures that are consistent with *Parameters and Guidelines* to ensure that all claimed costs are eligible and properly supported.

FINDING 2- Students improperly classified as truants

For the fiscal years (FYs) 1999/00, 2000/01, and 2001/02, the district claimed reimbursement of \$7,082 for 565 notification of truancy letters that did not meet the absence criteria specified in *Education Code Section 48260(a)* or Section I of the *Parameters and Guidelines*. Specifically, the district had classified students with less than three absences in their attendance records as truants.

For FY 99/00, the auditor found that 238 notifications were non-compliant. The random sample testing results indicated that in the first group, 5 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 238, resulting in an unallowable cost of \$2,911.

For FY 00/01, the auditor found that 276 notifications were non-compliant. The random sample testing results indicated that in the first group, 6 out of 146 student records were non-compliant, and in the second group, 1 out of 148 student records was non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 276, resulting in an unallowable cost of \$3,513.

For FY 01/02, the auditor found that 51 notifications were non-compliant. The random sample testing results indicated that in the first group, 1 out of 147 student records was non-compliant, and in the second group, 0 out of 148 student records were non-compliant. Thus, projecting the sample testing results to each population, non-complaint notifications totaled 51, resulting in an unallowable cost of \$658.

A summary of the unallowable costs is as follows:

	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>Total</u>
Number of Unallowable Notifications Claimed	238	276	51	565
Uniform Costs Allowance	\$ 12.23	\$ 12.73	\$ 12.91	
Audit Adjustment	<u>\$ 2,911</u>	<u>\$ 3,513</u>	<u>\$ 658</u>	<u>\$ 7,082</u>

Recommendation

The district should reimburse the State \$7,082 for FY 1999/00 through FY 2001/02 for the reimbursements claimed for initial truancy notifications that were sent to students who were improperly classified as truants.

The district should 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 3 – Overclaimed number of initial truanancies – FY 1999-00

The district claimed 11 initial truanancies, totaling \$135 that were not supported by its attendance records for the period of July 1, 1999, through June 30, 2000.

The auditor was not able to reconcile the total number of initial truancy notification forms claimed for fiscal year 1999/00 to students who were truant based on attendance records. Specifically, the district claimed 68 truancy notifications for Bella Vista Evening Adult School, which was not on the FY 99/00 Attendance Letter Tracking Report, instead of claiming 57 truancy notifications for Cowan James Fund Elementary, which was supported by the Attendance Letter Tracking Report. The district was unable to explain the differences between the notifications claimed and the totals of initial truanancies identified in the Attendance Letter Tracking Report. Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

Audit Adjustment

Claimed truanancies	14,591
Supported truanancies	<u>(14,580)</u>
Number of unsupported truanancies	11
Uniform cost allowance	<u>\$ 12.91</u>
Audit Adjustment	<u>\$ 135</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 FY 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 reimburse the State \$135 for FY 1999/00 for truancy claims that were not supported by its attendance records. In addition, the district should establish policies and procedures to ensure that all costs claimed are supported.

FINDING 4 – Improper attendance accounting procedures of student truanancies

During the fiscal years (FYs) 1999/00, 2000/01 and 2001/02, the district claimed reimbursements for truancy notifications that did not meet the criteria specified in Section I of the *Parameters and Guidelines*. In addition, the notifications also failed to comply with existing language contained in Section 48260(a) of the *Education Code*.

The district classified the middle and high school students as truants only if the students had accumulated three-days worth of "period absences". As a result, the district was late in classifying students with qualifying unexcused absences as truants. In some cases, students with a sufficient number of unexcused absences to be classified as truants are not being classified as truants at all by the district.

Section I of the *Parameters and Guidelines* states that "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 Section 48260(a) of the *Education Code* 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 ...**"

Upon SCO's upper management review of the audit exception, it was determined that there exists no basis in the *Parameters and Guidelines* for the SCO to take a dollar finding based on timing. Thus, the SCO has decided to take a procedural finding for this non-compliance.

Recommendation

The district should 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.

OTHER DISCUSSIONS:

OTHER COMMENTS:

APPROXIMATE RELEASE DATE OF DRAFT REPORT:

~~November 30, 2003~~

January 04

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Analysis of Claimed Costs
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1999 through June 30, 2000</u>			
Number of Truant Notifications	14,591	12,460	(2,131)
Unit Cost per Initial Notification	\$ 12.23	\$ 12.23	\$ 12.23
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 178,448</u>	<u>\$ 152,385</u>	<u>\$ (26,063)</u>
Less amount paid by the state		<u>\$ (178,448)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (26,063)</u>	
<u>July 1, 2000 through June 30, 2001</u>			
Number of Truant Notifications	14,413	12,151	(2,262)
Unit Cost per Initial Notification	\$ 12.73	\$ 12.73	\$ 12.73
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 183,477</u>	<u>\$ 154,682</u>	<u>\$ (28,795)</u>
Less amount paid by the state		<u>\$ (142,855)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>11,827</u>	
<u>July 1, 2001 through June 30, 2002</u>			
Number of Truant Notifications	16,792	14,349	(2,443)
Unit Cost per Initial Notification	\$ 12.91	\$ 12.91	\$ 12.91
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 216,785</u>	<u>\$ 185,246</u>	<u>\$ (31,539)</u>
Less amount paid by the state		<u>\$ (134,117)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>51,129</u>	
<u>Summary: July 1, 1999 through June 30, 2002</u>			
Number of Truant Notifications	45,796	38,960	(6,836)
Unit Cost per Initial Notification	\$ -	\$ -	\$ -
Less Offsetting Savings/Reimbursements	0	0	0
Total Costs	<u>\$ 578,710</u>	<u>\$ 492,313</u>	<u>\$ (86,397)</u>
Less amount paid by the state		<u>\$ (455,420)</u>	
Allowable costs claimed to be paid upon available appropriations		<u>36,893</u>	

Tickmarks:

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San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Summary of Test Results
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

Fiscal Year	Test Results					
	(A) Total Claimed Costs	(B) Total Notifications Claimed	(C) Total Unallowable Notifications	(D) Total Allowable Notifications	(E) Total Unallowable Costs	(F) Total Allowable Costs
FY 99/00	\$ 178,448	14,591	2,131	12,460	\$ 26,063	\$ 152,385
FY 00/01	\$ 183,477	14,413	2,262	12,151	\$ 28,795	\$ 154,682
FY 01/02	\$ 216,785	16,792	2,443	14,349	\$ 31,539	\$ 185,246
Total	\$ 578,710	45,796	6,836	38,960	\$ 86,397	\$ 492,313

Fiscal Year	Unallowable Notifications Breakdown			Total Unallowable Notifications
	Unallowable Notifications due to Criteria (1) [$<$ three unexcused absences and/or tardies]	Unallowable Notifications due to Criteria (3) [Only has three unexcused absences and/or tardies]	Unallowable Notifications due to Overclaimed Number of Initial Truancy Notifications	
FY 99/00	238	1,882	11	2,131
FY 00/01	276	1,986		2,262
FY 01/02	51	2,392		2,443
Total	565	6,260	11	6,836

Total FY 99/00 through FY 01/02 Claimed Costs \$ 578,710
 Less Total Unallowable Claimed Costs \$ (86,397)
Total Allowable Claimed Costs for FY 99/00 - FY 01/02 \$ 492,313

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Summary of Unallowable Costs
 July 1, 1999 through June 30, 2002
 S03 - MCC - 0024

FY 1999/00 NOT Claim	
Number of NOT Letters Sent	14,591
Claim Amount	\$178,448
Less Unallowable Claim Summary Error * (11 letters x \$12.23/letter)	(\$135)
Adjusted Claim Amount per Analysis of Filed Claim	\$178,313
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$2,911
Criteria (3)	\$23,017
Total Allowable Amount	\$152,385
Total Unallowable Amount (\$135 + \$2,899 + \$23,029)	\$26,063

FY 2000/01 NOT Claim	
Number of NOT Letters Sent	14,413
Claim Amount	\$183,477
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$3,513
Criteria (3)	\$25,282
Total Allowable Amount	\$154,682
Total Unallowable Amount (\$3,513 + \$25,282)	\$28,795

FY 2001/02 NOT Claim	
Number of NOT Letters Sent	16,792
Claim Amount**	\$216,785
<u>Unallowable Amount As A Result of Sample Testing</u>	
Criteria (1)	\$658
Criteria (3)	\$30,881
Total Allowable Amount	\$185,246
Total Unallowable Amount (\$658 + \$30,881)	\$31,539

Summary of Sample Testing Results (FY 1999/00 through FY 2001/02)	
Total Number of NOT Letters Claimed	45,796
Total Claim Amount	\$578,710
Total Claim Adjustment (for FY 99/00 only)	\$135
Total Criteria 1 (< three unexcused absences and/or tardies)	\$7,082
Total Criteria 3 (Only has three unexcused absences and/or tardies)	\$79,180
Total Allowable Amount	\$492,313
Total Unallowable Amount	\$86,397

** The FY 01/02 Claim Amount of \$216,785 is the final claim amount after SJUSD amended its original claim amount of \$239,351 and reduced it down to the current amount of \$216,785 on March 7, 2003 (Also see WP# _____).

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 1999 through June 30, 2000
 S03 - MCC - 0024

District Summary

		Adjusted Amount*
Total Notifications Claimed	14,591	14,580
Total Claimed Costs (Notifications Claimed X \$12.23)	\$ 178,448	178,313
Total Unallowable Percentage	15%	15%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(C) Unallowable Cost [(B) x \$12.23]
Test Results			
a. Criteria (1) - ED	6	238	\$ 2,911
b. Criteria (3) - PG	51	1882	\$ 23,017
Total	57	2120	\$ 25,928

1. Special Education & Elementary School Students

		Adjusted Amount*
Total Notifications Claimed	5060	5049
Sample Size	146	146

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed (adjusted amount)]	(D) Unallowable Cost [(C) x \$12.23]
Test Results				
a. Criteria (1)	5	3.42%	173	\$ 2,116
b. Criteria (3)	47	32.19%	1625	\$ 19,874
Total	52	35.62%	1798	\$ 21,990

2. Middle and High School Students

Total Notifications Claimed	9531
Sample Size	148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.23]
Test Results				
a. Criteria (1)	1	0.68%	65	\$ 795
b. Criteria (3)	4	2.70%	257	\$ 3,143
Total	5	3.38%	322	\$ 3,938

* The FY 99/00 total number of notifications claimed has been adjusted down by 11 notifications to reflect the correction of an overstatement error on the claim (WP# _____).

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 2000 through June 30, 2001
 S03 - MCC - 0024

District Summary

Total Notifications Claimed 14,413
 Total Claimed Costs (Notifications Claimed X \$12.73) \$ 183,477
 Total Unallowable Percentage 16%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(C) Unallowable Cost [(B) x \$12.73]
Test Results			
a. Criteria (1)	7	276	\$ 3,513
b. Criteria (3)	55	1986	\$ 25,282
Total	62	2262	\$ 28,795

1. Special Education & Elementary School Students

Total Notifications Claimed 5203
 Sample Size 146

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.73]
Test Results				
a. Criteria (1)	6	4.11%	214	\$ 2,724
b. Criteria (3)	54	36.99%	1924	\$ 24,493
Total	60	41.10%	2138	\$ 27,217

2. Middle and High School Students

Total Notifications Claimed 9210
 Sample Size 148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.73]
Test Results				
a. Criteria (1)	1	0.68%	62	\$ 789
b. Criteria (3)	1	0.68%	62	\$ 789
Total	2	1.35%	124	\$ 1,578

San Juan Unified School District
 Legislatively Mandated Notification of Truancy Program
 Sample Testing Results of Unallowable Costs
 July 1, 2001 through June 30, 2002
 S03 - MCC - 0024

District Summary

Total Notifications Claimed 16,792
 Total Claimed Costs (Notifications Claimed X \$12.91) \$ 216,785
 Total Unallowable Percentage 15%

	(A) Unallowable Sample Notifications	(B) Projected Unallowable Notifications	(D) Unallowable Cost [(B) x \$12.91]
Test Results			
a. Criteria (1)	1	51	\$ 658
b. Criteria (3)	45	2392	\$ 30,881
Total	46	2443	\$ 31,539

1. Special Education & Elementary School Students

Total Notifications Claimed 7509
 Sample Size 147

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.91]
Test Results				
a. Criteria (1)	1	0.68%	51	\$ 658
b. Criteria (3)	37	25.17%	1890	\$ 24,400
Total	38	25.85%	1941	\$ 25,058

2. Middle and High School Students

Total Notifications Claimed 9283
 Sample Size 148

	(A) Unallowable Notifications	(B) Unallowable Rate [(A)/Sample Size]	(C) Projected Unallowable Notifications [(B) x Total Notifications Claimed]	(D) Unallowable Cost [(C) x \$12.91]
Test Results				
a. Criteria (1)	0	0.00%	0	\$ -
b. Criteria (3)	8	5.41%	502	\$ 6,481
Total	8	5.41%	502	\$ 6,481

The CPA Journal



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.

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

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.

Close

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY	(19) Program Number 00048 (20) Date Filed <u> / / </u> (21) Signature Present <input type="checkbox"/>
---	---

L
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(01) Claimant Identification Number: S34085	Reimbursement Claim Data	
(02) Mailing Address		
Claimant Name SAN JUAN UNIFIED SD	(22) NOT-1,(03)	14,591
County Of Location SACRAMENTO	(23)	
Street Address or P.O. Box 3738 WALNUT AVENUE	(24)	
City CARMICHAEL	(25)	
State CA	(26)	
Zip Code 95609-0477	(26)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" 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)
			(30)
Fiscal Year of Cost	(06) <u>2000 / 2001</u>	(12) <u>1999 / 2000</u>	(31)
Total Claimed Amount	(07) \$ <u>178,448</u>	(13) \$ <u>178,448</u>	(32)
Less: 10% Late Penalty, but not to exceed \$1600 (if applicable)		(14)	(33)
Less: Estimate Payment Received		(15)	(34)
Net Claimed Amount		(16) \$ <u>178,448</u>	(35)
Due From State	(08) \$ <u>178,448</u>	(17) \$ <u>178,448</u>	(36)
Due to State		(18)	(37)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person 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 were no applications for nor any grant or payments received, other than from the claimant, 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 Representative: *Dina Underly* Date: 4/11/01

DINA UNDERLY INTERNAL AUDITOR

Type or Print Name Title

(39) Name of Contact Person For Claim: Steve Smith, Mandated Cost Systems Telephone Number: 213 916-487-4435 Ext.

**NOTIFICATION OF TRUANCY
CLAIM SUMMARY
INSTRUCTIONS**

**FORM
NOT-1**

(01) Claimant:

S34085

SAN JUAN UNIFIED SD

(02) Type of Claim:

Reimbursement

Estimated

Fiscal Year:

1999 / 2000

Claim Statistics

(03) Number of truant notifications

14,591

Cost

(04) Unit Cost per an Initial truancy notification [\$12.23 for the 1999/00 fiscal year]

12.23

(05) Total Costs: [Line (03) x line(04)]

178,448

Cost Reduction

(06) Less: Offsetting Savings, if applicable

(07) Less: Other Reimbursements, if applicable

(08) Total Claimed Amount: ~~214~~(05) - [Line(06) + line(07)]

178,448

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:

S34085

SAN JUAN UNIFIED SD

(02) Type of Claim:

Reimbursement

Estimated

Fiscal Year:

1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE FUNDAMENTAL	79
ARDEN MIDDLE	113
ARLINGTON HEIGHTS ELEM (YR)	116
BARRETT (JOHN) MIDDLE	190
BELLA VISTA EVENING ADULT	68
BELLA VISTA HIGH	685
CAMBRIDGE HEIGHTS ELEMENTARY	55
CAMERON RANCH ELEMENTARY	97
CARMICHAEL ELEMENTARY	262
CARNEGIE (ANDREW) MIDDLE	88
CARRIAGE DRIVE ELEMENTARY	110
CASA ROBLE FUNDAMENTAL HIGH	1,047
CHURCHILL MIDDLE	254
CITRUS HEIGHTS ELEMENTARY	99
COLEMAN (THOMAS) ELEMENTARY	33
COTTAGE ELEMENTARY	57
COYLE AVENUE ELEMENTARY	93
CREEKSIDE ELEMENTARY	131
DEL CAMPO HIGH	910
DEL DAYO ELEMENTARY	87
DEL PASO MANOR ELEMENTARY	86
DETERDING (MARY) ELEMENTARY	144
DEWEY (HARRY) FUNDAMENTAL	67
DYER-KELLY ELEMENTARY	120
EDISON (THOMAS) ELEMENTARY	128
EL CAMINO FUNDAMENTAL HIGH	603
ENCINA HIGH	768
FAIR OAKS ELEMENTARY	102
GARFIELD ELEMENTARY	87
GOLD RIVER DISC. CENTER (YR)	135
GRAND OAKS ELEMENTARY	124

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
834085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GREEN OAKS FUNDAMENTAL	26
GREER ELEMENTARY	102
HOLST (JOHN) ELEMENTARY	77
HOWE AVENUE ELEMENTARY	137
KELLY (THOMAS) ELEMENTARY	52
KENNETH AVE	252
KINGSWOOD ELEMENTARY (YR)	108
LEGETTE (EARL) ELEMENTARY	64
LICHEN ELEMENTARY (YR)	83
LITTLEJOHN (LEIGHTON) ELEM	144
MARIEMONT ELEMENTARY	42
MARIPOSA AVENUE ELEMENTARY	108
MESA VERDE HIGH	871
MIRA LOMA HIGH	994
MISSION AVENUE ELEMENTARY	37
MITCHELL (BILLY) ELEMENTARY	106
NORTHRIDGE ELEMENTARY	108
OAKVIEW COMMUNITY ELEMENTARY	61
ORANGEVALE OPEN (K-8)	62
OTTOMON WAY ELEMENTARY	83
PALISADES ELEMENTARY	50
PASADENA AVENUE ELEMENTARY	82
PASTEUR (LOUIS) MIDDLE	157
PECK (CHARLES) ELEMENTARY	103
PERSHING ELEMENTARY	59
RIO AMERICANO HIGH	930
ROBERTS ELEMENTARY	59
ROGERS (WILL) MIDDLE	198
RUFF (LAUREL) CENTER	31
SALK ALTERNATIVE MIDDLE	605
SAN JUAN HIGH	690

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:

S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:

Reimbursement
Estimated

Fiscal Year:

1999 / 2000

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
SCHWEITZER (ALBERT) ELEM	114
SIERRA OAKS ELEMENTARY	72
SKYCREST ELEMENTARY	191
STARR KING ELEMENTARY	63
STARR KING MIDDLE	123
SUNRISE ELEMENTARY (YR)	78
SYLVAN MIDDLE	224
TRAJAN ELEMENTARY	33
TWIN LAKES ELEMENTARY	92
WHITNEY AVENUE ELEMENTARY	127
WINTERSTEIN ADULT CENTER	54

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
---	---	-----------------------

L A B E L H E R E	(01) Claimant Identification Number S34085		Reimbursement Claim Data	
	(02) Claimant Name SAN JUAN UNIFIED SD		(22) LEAN-1, (03)	14,413
	County of Location SACRAMENTO		(23)	
	Street Address or P.O. Box PO BOX 477 PO BOX 477		(24)	
	City CARMICHAEL		(25)	
	State CA		(26)	
	Zip Code 95609-0477		(27)	
	Suite		(28)	
	Type of Claim		(29)	
	(03) Estimated <input checked="" type="checkbox"/> (09) Reimbursement <input checked="" type="checkbox"/> (04) Combined <input type="checkbox"/> (10) Combined <input type="checkbox"/> (05) Amended <input type="checkbox"/> (11) Amended <input type="checkbox"/>		(30)	
Fiscal Year of Cost	(06) <u>2001</u> / <u>2002</u>	(12) <u>2000</u> / <u>2001</u>	(31)	
Total Claimed Amount	(07) \$ 183,477	(13) \$ 183,477	(32)	
Less: 10% Late Penalty, not to exceed \$1000			(33)	
Less: Prior Claim Payment Received			(34)	
Net Claimed Amount		(16) \$ 183,477	(35)	
Due From State	(08) \$ 183,477	(17) \$ 183,477	(36)	
Due to State		(18)		

(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

TOM TAFOYA

INTERNAL AUDITOR

Type or Print Name

Title

(38) Name of Contact Person For Claim

Telephone Number

(916) 669-0888

Ext.

Mandated Cost Systems, Inc.

E-mail Address

scohelp@mandated.com

Program
048

**NOTIFICATION OF TRUANCY
CLAIM SUMMARY
INSTRUCTIONS**

**FORM
NOT-1**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2000 / 2001
Estimated

Claim Statistics

(03) Number of truant notifications 14,413

Cost

(04) Unit Cost per an initial truancy notification [\$12.73 for the 2000/01 fiscal year]	12.73
(05) Total Costs: [Line (03) x line(04)]	183,477

Cost Reduction

(06) Less: Offsetting Savings, if applicable	
(07) Less: Other Reimbursements, if applicable	
(08) Total Claimed Amount: {Line(05) - [Line(06) + line(07)]}	183,477

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
2000 / 2001

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE MS	87
ARDEN MS	126
ARLINGTON HEIGHTS	92
BARRETT MS	146
BELLA VISTA	719
BELLA VISTA ADULT EDUCATION	78
CAMBRIDGE HEIGHTS	47
CAMERON RANCH	84
CARMICHAEL	277
CARNEGIE MS	268
CARRIAGE	126
CASA ROBLE HS	709
CHURCHILL MS	279
CITRUS HEIGHTS	89
COLEMAN	35
COTTAGE	51
COWAN	49
COYLE	118
CREEKSIDE	129
DEL CAMPO	1,123
DEL DAYO	66
DEL PASO MANOR	72
DETERDING	185
DEWEY	62
DYER KELLY	153
EDISON	119
EL CAMINO	550
ENCINA	763
FAIR OAKS	100
GARFIELD	97
GOLD RIVER	82

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
2000 / 2001

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GRAND OAKS	134
GREEN OAKS	29
GREER	139
HOLST	82
HOWE AVENUE	157
KELLY	66
KENNETH ES	203
KINGSWOOD	141
LEGETTE	59
LICHEN	86
LITTLEJOHN	124
MARIEMONT	49
MARIPOSA	167
MESA VERDE HS	556
MIRA LOMA	1,008
MISSION	44
MITCHELL	114
NORTHRIDGE	103
OAKVIEW	64
ORANGEVALE	73
OTTOMON	125
PASADENA	83
PASTEUR MS	139
PECK	87
PERSHING	36
RIO AMERICANO	992
ROBERTS	63
ROGERS MS	183
RUFF	14
SALK ALTERNATIVE MS	526
SAN JUAN	711
221	13,238

MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1A
---	------------------------

(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2000 / 2001
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Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
SCHWEITZER	81
SIERRA OAKS	53
SKYCREST	203
STARR KING ES	86
STARR KING MS	111
SUNRISE	91
SYLVAN MS	214
TRAJAN	72
TWIN LAKES	92
WHITNEY	118
WOODSIDE	54
222	14,413

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
---	---	----------------------------------

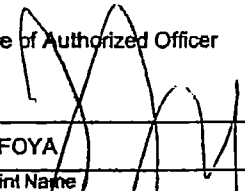
LABEL HERE	(01) Claimant Identification Number S34085	Reimbursement Claim Data	
	(02) Claimant Name SAN JUAN UNIFIED SD	(22) LEAN-1, (03)	16,792
	County of Location SACRAMENTO	(23)	
	Street Address or P.O. Box PO BOX 477 PO BOX 477	(24)	
	City CARMICHAEL	State CA	Zip Code 95609-0477

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" 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 checked="" type="checkbox"/>	(28)
Fiscal Year of Cost	(08) <u>2002</u> / <u>2003</u>	(12) <u>2001</u> / <u>2002</u>	(29)
Total Claimed Amount	(07) \$ 173,428	(13) \$ 216,785	(30)
Less: 10% Late Penalty, not to exceed \$1000		(14)	(31)
Less: Prior Claim Payment Received		(15)	(32)
Net Claimed Amount		(18) \$ 216,785	(33)
Due From State	(08) \$ 173,428	(17) \$ 216,785	(34)
Due to State		(18)	(35)

(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


 TOM TAFOYA
 Type or Print Name

Date
 3/7/03

 INTERNAL AUDITOR
 Title

(38) Name of Contact Person For Claim Telephone Number (916) 669-0888 Ext.
 Mandated Cost Systems, Inc. E-mail Address scohelp@mandated.com

AMENDMENT EXPLANATION

SAN JUAN UNIFIED SCHOOL DISTRICT

S#34085

AMENDED CLAIM AMOUNT	\$216,785
ORIGINAL CLAIM AMOUNT	\$239,351
DIFFERENCE	(\$22,566)
10%	0.10
LATE PENALTY, UP TO \$1,000 MAXIMUM	\$0

THE DISTRICT'S 2001-2002 NOTIFICATION OF TRUANCY CLAIM (PROGRAM 048) IS BEING AMENDED DUE TO THE FOLLOWING:

1. Costs for school site "Initial Truant Notifications" were overstated on the original claim.

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

(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2001 / 2002
---	--	-----------------------------

Claim Statistics

(03) Number of truant notifications	16,792
-------------------------------------	--------

--	--

Cost

(04) Unit Cost per an initial truancy notification [\$12.91 for the 2001/02 fiscal year]	12.91
(05) Total Costs: [Line (03) x line(04)]	216,785

Cost Reduction

(06) Less: Offsetting Savings, if applicable	
(07) Less: Other Reimbursements, if applicable	
(08) Total Claimed Amount: {Line(05) - [Line(06) + line(07)]}	216,785

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2001 / 2002
Estimated

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
ARCADE MS	104
ARDEN MS	138
ARLINGTON HEIGHTS	113
BARRETT MS	266
BELLA VISTA	565
CAMBRIDGE HEIGHTS	60
CAMERON RANCH	117
CARMICHAEL	261
CARNEGIE MS	411
CARRIAGE	163
CASA ROBLE HS	593
CHURCHILL MS	270
CITRUS HEIGHTS	131
COLEMAN	84
COTTAGE	153
COWAN	73
COYLE	115
CREEKSIDE	154
DEL CAMPO	866
DEL DAYO	63
DEL PASO MANOR	92
DELTA ES ACADEMY CDS	29
DELTA SECONDARY ACADEMY - CDS	68
DETERDING	191
DEWEY	67
EDISON	165
EL CAMINO	454
ENCINA	667
FAIR OAKS	97
GARFIELD	114
GOLD RIVER	110

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim:
Reimbursement
Estimated

Fiscal Year:
2001 / 2002

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
GRAND OAKS	189
GREEN OAKS	24
GREER	335
HOLST	106
HOWE AVENUE	394
KELLY	291
KENNETH ES	251
KINGSWOOD	224
LA ENTRADA	265
LA VISTA CENTER	73
LEGETTE	75
LICHEN	100
LITTLEJOHN	158
MARIEMONT	67
MARIPOSA	298
MESA VERDE HS	504
MIRA LOMA	784
MISSION	50
MITCHELL	98
NORTHRIDGE	80
OAKVIEW	87
ORANGEVALE	96
OTTOMON	154
PALOS VERDE	51
PASADENA	257
PASTEUR MS	217
PECK	169
PERSHING	175
RIO AMERICANO	882
ROBERTS	61
ROGERS MS	372

**MANDATED COSTS
NOTIFICATION OF TRUANCY
CLAIM SUMMARY**

**FORM
NOT-1A**

(01) Claimant:
S34085
SAN JUAN UNIFIED SD

(02) Type of Claim: Fiscal Year:
Reimbursement 2001 / 2002
Estimated

Claim Statistics

(03) For each school in the district, enter the number of Notifications

(a) Name of School	(d) Notifications
RUFF	20
SALK MS	556
SAN JUAN HS	675
SCHWEITZER	101
SIERRA NUEVA/ENCINA	107
SIERRA OAKS	68
SKYCREST	262
STARR KING ES	78
STARR KING MS	187
SUNRISE	83
SYLVAN MS	302
THOMAS KELLY	122
TRAJAN	86
TWIN LAKES	168
VIA DEL CAMPO	47
WHITNEY	212
WOODSIDE	77



JOHN CHIANG
California State Controller

RECEIVED
October 03, 2014
Commission on
State Mandates

LATE FILING

October 3, 2014

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

Re: **Incorrect Reduction Claim (IRC)**
Notification of Truancy, 07-904133-I-05
Education Code Section 48260.5
Statutes 1983, Chapter 498
Fiscal Years: 1999-2000, 2000-2001, and 2001-2002
San Juan 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 black ink 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 REVISED INCORRECT REDUCTION CLAIM BY
SAN JUAN UNIFIED SCHOOL DISTRICT
Notification of Truancy Program**

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State Controller's Office Payment Information for FY 2001-02 (September 21, 2006).....	Tab 8
State Controller's Office Payment Information for FY 2001-02 (September 13, 2012).....	Tab 9

Note: References to Exhibits relate to the district's IRCs as follows:

Revised IRC filed on July 16, 2010, IRC 07-904133-I-05

- Exhibit A – PDF page 15
- Exhibit A – PDF page 18
- Exhibit A – PDF page 26

Original IRC filed on December 18, 2007, IRC 07-904133-I-05

- Exhibit C-A – PDF page 53
- Exhibit C-B – PDF page 57
- Exhibit C-C – PDF page 64
- Exhibit C-D – PDF page 72
- Exhibit C-E – PDF page 85
- Exhibit C-F – PDF page 99
- Exhibit C-G – PDF page 108

TAB 1

1 **OFFICE OF THE STATE CONTROLLER**

2 300 Capitol Mall, Suite 1850

3 Sacramento, CA 94250

4 Telephone No.: (916) 445-6854

5 BEFORE THE

6 COMMISSION ON STATE MANDATES

7 STATE OF CALIFORNIA

8
9 INCORRECT REDUCTION CLAIM ON:

No.: CSM 07-904133-I-05

10 Notification of Truancy Program

AFFIDAVIT OF BUREAU CHIEF

11 Chapter 498, Statutes of 1983

12 SAN JUAN UNIFIED SCHOOL DISTRICT,
13 Claimant

14
15 I, Jim L. Spano, make the following declarations:

- 16 1) I am an employee of the State Controller's Office (SCO) and am over the age of 18
17 years.
- 18 2) I am currently employed as a bureau chief, and have been so since April 21, 2000.
- 19 3) I am a California Certified Public Accountant.
- 20 4) I reviewed the work performed by the SCO auditor.
- 21 5) Any attached copies of records are true copies of records, as provided by the San Juan
22 Unified School District or retained at our place of business.
- 23 6) The records include claims for reimbursement, with attached supporting documentation,
24 explanatory letters, or other documents relating to the above-entitled Incorrect
25 Reduction Claim.

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- 7) A field audit of the claims for fiscal year (FY) 1999-2000, FY 2000-01, and FY 2001-02 commenced on March 5, 2003, and ended on December 30, 2004.
- 8) A revised audit report was issued on November 25, 2009, to present the audit results for FY 1999-2000, FY 2000-01, and FY 2001-02 based on a stratified sampling methodology.

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Date: February 28, 2013

OFFICE OF THE STATE CONTROLLER

By: Jim L. Spano
Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller's Office

TAB 2

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE
TO THE INCORRECT REDUCTION CLAIMS BY
SAN JUAN UNIFIED SCHOOL DISTRICT
For Fiscal Year (FY) 1999-2000, FY 2000-01, and FY 2001-02**

**Notification of Truancy Program
Chapter 498, Statutes of 1983**

SUMMARY

The following is the State Controller's Office (SCO) response to the Incorrect Reduction Claim submitted on December 18, 2007, and the Revised Incorrect Reduction Claim that San Juan Unified School District submitted on July 16, 2010.

The SCO audited the claims that the district filed for costs of the legislatively mandated Notification of Truancy Program for the period of July 1, 1999, through June 30, 2002. The SCO issued its final report on December 30, 2004 [Exhibit C-D].

The audit report disclosed that the district claimed \$578,710 for the mandated program and that \$470,628 was allowable and \$108,442 was unallowable. The unallowable costs occurred primarily because the district claimed costs of notifications issued to pupils with fewer than four truanancies. Up to that point, the district had been paid \$455,420 for its claims. The SCO sent adjustment letters to the district dated June 16, 2005 [Exhibit C-A], detailing the payment history and subsequent adjustments made to each year's claim.

Based on information contained within the original Incorrect Reduction Claim dated June 16, 2005 [Exhibit C], the SCO reviewed its extrapolation method to determine audit adjustments. The final audit report stated that we determined audit adjustments by extrapolating results based on a stratified sample for elementary and special education students, and middle and high school students. However, the results from each population were combined to determine the audit adjustment for all students. Consequently, we determined that our extrapolation was not accurate. Therefore, the SCO reissued the final audit report on November 25, 2009 [Exhibit B], to correct the extrapolation results.

Under the revised audit report results, the SCO determined that \$491,398 is allowable and \$87,312 is unallowable. The unallowable costs occurred primarily because the district claimed reimbursement for initial truancy notification forms that were not reimbursable, as the pupils did not accumulate the number of unexcused absences during the school year necessary to be classified as truant under the mandated program. The State paid the district \$470,268. This amount includes cash payments and any outstanding accounts receivable offsets applied.

The following table summarizes the audit results:

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 costs	<u>\$ 178,448</u>	<u>\$ 152,386</u>	<u>\$ (26,062)</u>	
Less amount paid by the State ¹		<u>(152,386)</u>		
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 Adjustments</u>	<u>Reference ¹</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	Findings 1, 2
Total costs	<u>\$ 183,477</u>	<u>\$ 153,766</u>	<u>\$ (29,711)</u>	
Less amount paid by the State ¹		<u>(153,766)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</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	Findings 1, 2
Total costs	<u>\$ 216,785</u>	<u>\$ 185,246</u>	<u>\$ (31,539)</u>	
Less amount paid by the State		<u>(185,246)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 1999 through June 30, 2002</u>				
Total program costs	<u>\$ 578,710</u>	<u>\$ 491,398</u>	<u>\$ (87,312)</u>	
Less amount paid by the State ¹		<u>(491,398)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

¹ The payment information presented is current as of January 23, 2013

The district believes that it complied with the parameters and guidelines in its reimbursement claims, that SCO's use of a statistical sampling methodology to audit the district's claims is improper, that the audits conducted by SCO for FY 1999-2000 and FY 2000-01 were beyond the statute of limitations within which to complete an audit, disclaims any knowledge of how much it has been paid by the State for its reimbursement claims, and believes that the audit findings contained in the revised audit report are all beyond the statute of limitations for audit.

I. SCO REBUTTAL TO STATEMENT OF DISPUTE - CLARIFICATION OF REIMBURSABLE ACTIVITIES

Parameters and Guidelines

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 CSM adopted the parameters and guidelines on August 27, 1987. The CSM adopted amended parameters and guidelines for Chapter 498, Statutes of 1984 on July 28, 1988, and again on July 22, 1993 [**Exhibit C-B**]. On January 31, 2008, the CSM adopted proposed amendments to the parameters and guidelines for the Notification of Truancy Program, as directed by the Legislature pursuant to Statutes of 2007, Chapter 69 (AB 1698), which include: (1) modifying the definition of a truant; (2) specifying that the parameters and guidelines amendments are effective July 1, 2006, (3) adding a description of information that school districts are required to include in the truancy notifications to parents or guardians, and (4) clarifying that notice is provided upon a pupil's initial classification as a truant.

Section I, Summary of the Mandate, of the parameters and guidelines, amended July 22, 1993, states:

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 a 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.

Section III, Eligible Claimants, of the parameters and guidelines, amended July 22, 1993, identifies eligible claimants as follows:

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.

Section V, Reimbursable Costs, of the parameters and guidelines, amended July 22, 1993, identifies reimbursable activities as follows:

A. Scope of the Mandate

The eligible claimant shall be reimbursed for only those costs incurred for planning the notification process, revising district procedures, and 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, 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.

The district claimed only costs relating to the Notification process. It did not claim any costs for Planning and Preparation.

The district claimed costs relating only to the Notification process and used the Uniform Cost Allowance method for claiming Notification process costs. It did not claim any Planning and Preparation costs.

Section VI, Claim Preparation, of the parameters and guidelines, amended July 22, 1993, describes the claim preparation process as follows:

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.

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.

A. 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.

Section VII, Supporting Data, of the parameters and guidelines, amended July 22, 1993, describes the supporting data that must be maintained as follows:

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.

Parameters and Guidelines

The parameters and guidelines as adopted on July 22, 1993, are the applicable audit criteria for the purposes of this audit. The parameters and guidelines, as amended on January 31, 2008, apply to claims filed for FY 2006-07 and subsequent years.

SCO Claiming Instructions

Government Code section 17558 requires the SCO to prepare and issue claiming instructions for each mandate that requires state reimbursement and that the instructions be based on the test claim decision and the adopted parameters and guidelines. *California Code of Regulation*, Title 2, Section 1183.1 specifies that it is the duty of the State Controller's Office to issue claiming instructions based upon the statement of decision and the parameters and guidelines, adopted by the Commission on State Mandates. The SCO issued revised claiming instructions for Chapter 498, Statutes of 1983 in October 1996 [Exhibit C-C]. The portion of the claiming instructions that describe the summary of the mandate paraphrase the requirements of Education Code sections 48260 and 48260.5 at the time the parameters and guidelines were adopted, but before these sections of statute were amended by Chapter 1023, Statutes of 1994 (Senate Bill 1728).

The actual claim form filed by the district (SCO Form FAM-27) was modified in September of 2000 (for claims filed for FY 1999-2000 and FY 2000-01) and in September of 2001 (for claims filed for FY 2001-02). The district properly used the correct version of this form for filing its reimbursement claims. The following statement is included on the front of the September, 2000, and the September, 2001, versions of Form FAM-27: "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."

Education Code Section 48260.5

Statutes of 1983, Chapter 498, added Education Code section 48260.5 effective July 28, 1983. The original text of the law is similar to what appears in Section I of the parameters and guidelines. When first enacted, the statute required initial notification of truancy upon the fourth absence or tardy in excess of thirty minutes on more than three occasions, pursuant to Education Code section 48260. The statute required school districts to notify parents or guardians and include five specific pieces of information in the notification.

The version of the parameters and guidelines in effect for the relevant time period was adopted in 1993, as noted above. However, in 1994, Education Code section 48260 was amended by Statutes of 1994, Chapter 1023 (Senate Bill 1728) and changed the classification of a truant student to absent without excuse on three days or is tardy on each of three days in one school year. Education Code section 48260.5 was also changed by Statutes of 1994, Chapter 1023 (Senate Bill 1728) and required that three additional items be added to the notification: (1) That the pupil may be subject to prosecution under Section 48264, (2) 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 (3) That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

II. SCO REBUTTAL TO STATEMENT OF DISPUTE - CLARIFICATION OF COMMUNICATION OF AUDIT RESULTS

District's Original Response

The District has encountered some difficulty in preparing this incorrect reduction claim because the audit report provides summary results and not the specific components of the adjustment amounts. The other source of information available to the District regarding the derivation of the adjustments is

the exit conference notes which are attached as Exhibit "E." However, the adjustment amounts in the audit report are different from the amounts reported at the exit conference and no explanation of the difference is provided in the audit report.

SCO Comments

The district claimed costs by multiplying the number of initial truancy notifications by a uniform cost allowance, as determined by the Commission, which is adjusted each fiscal year by the implicit price deflator. Our audit identified incidences in which the notices were sent for students who did not accumulate the reimbursable number of unexcused absences during the school year or notices that were unsupported. The number of unallowable notices was presented as an adjustment in the audit report.

We discussed the basis for the adjustment and provided the district supporting documentation at the October 20, 2003 exit conference [Exhibit C-E] that was attended by representatives from the district and its consulting firm (a different consulting firm from the one that filed the incorrect reduction claim). We stratified the results between two sampling populations that used different attendance accounting systems: (1) elementary school and special education and (2) middle and high school. However, when issuing the initial final audit report on December 30, 2004 [Exhibit C-D], we did not stratify the audit results between the two sampling populations.

The district filed its original incorrect reduction claim on December 8, 2007 [Exhibit C] questioning why the sample results were not stratified between the two sampling populations along with addressing other concerns related to our use of statistical sampling. We concurred that the sample results should have been stratified between the sampling populations and issued a revised final audit report on November 25, 2009 [Exhibit B], which stratified the sample results between the two sampling populations. We discussed the revised final audit results with Dina Geiss, Director of Accounting and Business Support Services, on September 3, 2009, and received a formal response from Michael Dencavage, Chief Financial Officer, on October 30, 2009 (which was attached to the revised report). The district filed its revised incorrect reduction claim on July 16, 2010.

III. THE DISTRICT OVERCLAIMED THE NUMBER OF INITIAL NOTIFICATION OF TRUANCY FORMS DISTRIBUTED FOR THE MANDATED PROGRAM

Issue

In the audit report, the SCO concluded that the district overclaimed the number of reimbursable initial truancy forms distributed to a pupil's parent or guardian for FY 1999-2000. The overclaiming resulted in unsupported costs totaling \$135.

District's Original Response

The district is not disputing this adjustment.

District's Revised Response

No change as a result of the revised audit report. The District is not disputing this adjustment.

SCO's Comment

The finding remains unchanged.

IV. THE DISTRICT CLAIMED UNALLOWABLE COSTS RELATING TO THE NUMBER OF INITIAL TRUNACY NOTIFICATIONS

Issue

The district claimed \$87,177 for initial truancy notification forms that were not reimbursable. The forms were issued to pupils who did not accumulate the required number of unexcused absences to be classified as truant under the mandate program.

The district believes that it fully complied with the parameters and guidelines by complying with Education Code section 48260 as amended by Chapter 1023, Statutes of 1994 and stipulated in Education Code sections 48260 and 48260.5. The district also disputes the SCO's use of a statistical sampling methodology in its audit of the district's reimbursement claims to compute the amounts of unallowable costs, and states that the SCO has no basis on which to make adjustments of the district's reimbursement claims.

District's Revised Response

The revised audit report asserts that \$87,117 of the claimed costs are [sic] not reimbursable because "pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program." The unallowable cost amount as stated in the original final audit report was \$108,307. The revised audit report increases the allowable cost by \$21,190. An e-mail dated September 3, 2009, from Jim Venneman, Audit Supervisor, states that this change is a result of extrapolating the sample results separately to the two sampling populations rather than one extrapolation to the entire population. The total number of unallowable sampled notices did not change, just the extrapolation universe. Mr. Venneman states that this is a more accurate application of the sample findings. This e-mail is attached as Exhibit "A."

The revised audit report does not change the District's response on this issue. The bifurcation of the extrapolation universe may be more representative in terms of the calculation of the extrapolated amount, but the District still disputes the use of the sampling method for the reasons stated in the original incorrect reduction claim.

SCO Analysis

The parameters and guidelines in effect during the audit period state:

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 a 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.

Government Code section 17557 states:

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvended 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. . . .

. . . (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 the claiming deadline following a fiscal year, shall establish reimbursement eligibility for that fiscal year.

District's Original Response

Unit Cost Rate Multiplier

The District is unable to ascertain the reason for the increase in the total dollar amount and the extrapolated total unallowable notifications as reported at the exit conference compared to the audit report when the number of non-compliant truancy notifications sampled are essentially the same.

SCO Comments

As noted previously, we presented the audit results at the exit conference by stratifying the sampling results between two sampling populations that used different attendance systems: (1) elementary school and special education and (2) middle and high school. However, when issuing the final report on December 30, 2004, we did not stratify the sampling audit results by the two sampling populations. The only difference between the unallowable trancies in the sample presented at the exit conference and in the initial final report relates to the number of unallowable trancies for Elementary and Special Education for FY 2000-01. The exit conference information showed 60 unallowable trancies in the sample, while the initial final report showed 62 unallowable trancies in the sample. We stratified the sampling audit results by the two sampling populations when revising the final audit report on November 25, 2009. The total unallowable truancy notifications identified in the sample for each fiscal year did not change between the initial final report and the revised final report.

District's Original Response

Statutory Requirements

Education Code Section 48260, as recodified by Chapter 1010, Statutes of 1976, states:

“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.”

The 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, states:

“(a) 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 combinations thereof, is a truant and shall be reported to the attendance supervisor or to the superintendent of the school district.

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

The parameters and guidelines were never amended to incorporate the change in the Education Code definition of a truant. The parameters and guidelines require at least four unexcused absences for the pupil to be classified as a reimbursable truant, while Education Code Section 48260 requires only three unexcused absences. Also, note that the amendment to Education Code Section 48260 makes clear that the legislature did not intend school districts to change their method of attendance accounting just to comply with this change in the code.

Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, states:

"(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 or Part 27.

(b) The district also shall inform the parents or guardians of the following:

- (1) Alternative educational programs are available in the district.
- (2) The right to meet with appropriate school personnel to discuss solutions to the pupil's truancy."

This is the source of the scope of the notice upon which the parameters and guidelines are based.

Education Code Section 48260.5, as amended by Chapter 1023, Statutes of 1994, states:

**** 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:

- (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 48290) 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.

The parameters and guidelines were never amended to incorporate the increase in the scope of the content of the notice letter which resulted from this amendment of the Education Code.

Number of Truancies Required

The audit report states "Although *Education Code* Section 48260(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, *Parameters and Guidelines* requires at least four unexcused absences to be classified as a reimbursable truant."

As for the number of truancies required for the notices, the parameters and guidelines do not specify attendance accounting procedures. Attendance accounting is controlled by the Education Code. The District complied with the Education Code as amended after the parameters and guidelines, and the parameters and guidelines, which as quasi-regulations, are inferior to the Code. The attendance and truancy information was recorded on a contemporaneous basis as required by the Education Code. The truancies were recorded and the notices were distributed, therefore actual costs were incurred, and the audit report does not state that the work was not performed.

SCO's Comments

We rely on language within the adopted parameters and guidelines as the criteria for our audit findings. The parameters and guidelines define what is reimbursable under the mandated program. While the legal requirements governing school districts originate in the Education Code, there is no language in the Education Code authorizing school districts to file reimbursement claims with the State for mandated costs incurred or language setting forth the method by which to claim these costs. The right to reimbursement and the method to claim reimbursement are set forth in the parameters and guidelines, adopted by the CSM. The district must comply with the requirements of these criteria to claim reimbursement for mandated costs incurred.

The CSM also has regulations that set forth procedures for local agencies, school districts, or the State to request amendments to the parameters and guidelines. 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 timely test claim in response to Chapter 1023, Statutes of 1994; therefore, reimbursable mandated costs remained the same until July 1, 2006. The district correctly notes that no request was filed on the amended statutes to ensure that the parameters and guidelines accurately reflected the change in mandated activities. Therefore, there was no basis for the district to file reimbursement for costs that were not in compliance with the parameters and guidelines, which establish the reimbursement criteria operative during the claim period. We conducted the audit to determine compliance with the parameters and guidelines, as amended on July 22, 1993, by the CSM. The district states that compliance with the Education Code would satisfy the requirements in the parameters and guidelines. However, the Government Code clearly establishes that the parameters and guidelines define criteria for mandated activity reimbursement. Title 2, *California Code of Regulations* 1183.1(a) conforms to this definition and identifies the legal and factual basis for the parameters and guidelines to be found in the administrative record for the test claim. The test claim filed requested mandated activity reimbursement for complying with Education Code section 48260.5 (a), as amended 1983.

The parameters and guidelines, Section I - Summary of Mandate, state "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." Further, they state that: "A student shall be initially classified as truant upon the *fourth* [emphasis added] 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." During the audit, we noted instances in which the district classified students as truant when a student did not have four or more unexcused absences. While the district contends that students should be classified as truant upon incurring three

absences and that the district complied by using this as the basis to submit its reimbursement claim, we noted instances in each fiscal year when students with *fewer* than three absences were classified as truant. In either case, initial notices were sent out for students who did not have four unexcused absences at any time during the school year and, therefore, the district did not comply with the parameters and guidelines and the costs incurred for these notices were ineligible for reimbursement.

District's Original Response

Reimbursement Based on Statistical Sampling

The audit report states that its finding is based upon a statistical sample of 883 truancy notifications actually examined from a universe of 45,785 notices for the three fiscal years. The findings from the review of less than two percent of the total number of notices are extrapolated to the total number of notices claimed and the annual reimbursement claims adjusted based on the extrapolation. The propriety of a mandate audit adjustment based on the statistical sampling technique 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 883 notifications used in the audit report.

LEGAL AUTHORITY: The Controller has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on 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. 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 Comments

The district stated that the Government Code prohibits the application of statistical sampling. We disagree. There is no prohibitive language contained in statute. Legal authority does not dictate specific auditing tests to perform. Neither the Government Code nor the parameters and guidelines require the SCO to provide claimants "notice" that the SCO will use sampling techniques. Further, the parameters and guidelines do not specify the methodology the SCO must use to validate program compliance.

The SCO conducted the audit in accordance with Government Auditing Standards, as issued by the Comptroller General of the United States. These audit standards 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."¹ Government Auditing Standards also state "Evidence should be sufficient, competent, and relevant to support a sound basis for audit findings, conclusions, and recommendations. 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."²

Furthermore, Government Code section 17561, subdivision (d)(2), states that the Controller may reduce any claim that he determines is excessive or unreasonable. During the audit, the SCO did conclude that the district's costs claimed were excessive and unreasonable because they include costs that are not in compliance with the requirements of the mandated program. 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.

“Excessive” is defined as “exceeding what is usual, *proper*, necessary, or normal. . . . Excessive implies an amount or degree too great to be reasonable or acceptable. . . . [Emphasis added.]”³ In addition, the district claimed costs that were unreasonable. Unreasonable is defined as “not conformable to reason” or “exceeding the bounds of reason.”⁴

Reason is defined as “a sufficient ground of explanation or of logical defense; something that supports a conclusion or explains a fact.”⁵ That the district claimed reimbursement from the State for costs that are not eligible for reimbursement is unreasonable.

¹ Government Auditing Standards, Section 3.35, 2003 Revision, United States General Accounting Office.

² Government Auditing Standards, Section 7.52 and 7.52a, 2003 Revision, United States General Accounting Office.

³ Merriam-Webster’s Collegiate Dictionary, Tenth Edition © 2001.

⁴ Ibid.

⁵ Ibid.

District’s Original Response

UTILITY OF THE SAMPLING METHODOLOGY: A statistically valid sample methodology is a recognized audit toll for some purposes. See Exhibit “F” (Statistical Sampling Revisited). The purpose of sampling is to determine the results of transactions or whether procedures were properly applied to the reported transactions. In the case of reimbursement for this mandate, the state reimburses a specific dollar amount for each transaction, the notice sent to parents, so that outcome is not being tested. What the Controller purports to be testing is whether the notices are reimbursable based on the number of prerequisite absences, which is testing for procedural compliance. 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.

SCO’s Comments

The district states that the auditor judgment failed both in the purpose of the sampling and the use of the findings. We disagree. The district provides information about audit sampling in the revised incorrect reduction claim (“Statistical Sampling Revisited”) [Exhibit C-F] and states that this information supports its argument that the SCO’s statistical sampling methodology is flawed. In addition, the district makes no specific reference to that exhibit to support its position. While this exhibit contains interesting information, it is totally irrelevant to the conduct of this audit. “Statistical Sample Revisited” is a treatise based upon *Statement on Auditing Standards* (SAS) #39 (Audit Sampling) as issued by the American Institute of Certified Public Accountants’ (AICPA) Auditing Standards Board in 1981. SAS 39 is part of a much wider body of auditing guidance known as *Generally Accepted Auditing Standards*, as issued by AICPA. These auditing standards apply to the conduct of financial audits—specifically, whether or not financial statement account balances are free from material misstatement. Our audit report, issued on October 28, 2004, clearly states, on page 2, “Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program” (i.e., a compliance audit). In addition, the report states, “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.”

Therefore, the district is basing its argument that the statistical sampling methodology was flawed upon auditing standards that were not applicable to the conduct of this audit. As already noted in the SCO Comments of the previous page, Government Auditing Standards allow for the use of statistical methods to establish the sufficiency of audit evidence, which is what our statistical sampling plan was designed to accomplish.

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 *per cent* 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. . . .⁶

⁶ Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, p.13-14.

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, which is testing for procedural 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.

District's Original Response

SAMPLE RISK: 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 error perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. There are several qualitative reasons that a random selection of notices will not be representative of the universe. The auditor was allegedly sampling for compliance here, and the sample indicated that there were several methods of compliance. There is no showing that the sample accurately reflects the relative occurrence of truanancies at different grade levels. Half the sample was taken for middle and high schools, but extrapolated to the total notices claimed, eliminating any perceived "stratification." This does not take into account that the incidence of truancy in secondary schools is generally greater than elementary schools. Since there is not indication that the sample was randomly selected from school types or grade levels, the extrapolation is non-representative in this aspect.

District's Revised Response

The revised audit report does not change the District's response on this issue. The bifurcation of the extrapolation universe may be more representative in terms of the calculation of the extrapolated amount, but the District still disputes the use of the sampling method for the reasons stated in the original incorrect reduction claim.

SCO's Comments

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 testimonial or documentary evidence to support its assertion.

The district alleges that the samples are non-representative of the population because we were testing for compliance and "the sample indicated that there were several methods for compliance." In addition, the district states that "There is no showing that the sample accurately reflects the relative occurrence of trancies at different grade levels."

During the audit, we stratified the population of notices claimed between: (1) elementary and special education students and (2) middle and high school students and conducted a separate sample for each population. Upon completing the sampling tests, we combined the results from both populations and computed a combined error rate for each fiscal year. This rate was used to project the number of unallowable notices in each fiscal year from the annual number of notices claimed as reported in the initial final audit report dated December 30, 2004 [Exhibit C-D]. In the initial final audit report, we determined the audit adjustment by using unallowable truancy notifications in the sample totaling 57 for FY 1999-2000, 64 for FY 2000-01, and 46 for FY 2001-02.

Upon reviewing the district's comments in the original incorrect reduction claim, we noted that the extrapolation of unallowable trancies based on the sampling results was incorrectly performed. Instead of combining the sampling results, the error rate should have been extrapolated to each student population separately. The total unallowable truancy notifications identified in the sample for each fiscal year did not change. We determined the audit adjustment by using unallowable truancy notifications in the sample totaling 57 for FY 1999-2000, 64 for FY 2000-01, and 46 for FY 2001-02. The only difference in the calculation is that we stratified the error to each student population separately.

The following schedule presents the revised audit results using separate test populations:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Elementary 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%)	
Truancy notifications claimed	5,049	5,203	7,509	
Projected unallowable truancy notification	(1,798)	(2,210)	(1,941)	
Uniform Cost Allowance	× 12.23	× 12.73	× 12.91	
Audit Adjustment	<u>\$ (21,989)</u>	<u>\$ (28,133)</u>	<u>\$ (25,058)</u>	<u>\$ (75,180)</u>
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%)	
Truancy notifications claimed	9,531	9,210	9,283	
Projected unallowable truancy notification	(322)	(124)	(502)	
Uniform Cost Allowance	× 12.23	× 12.73	× 12.91	
Audit Adjustment	<u>\$ (3,938)</u>	<u>\$ (1,578)</u>	<u>\$ (6,481)</u>	<u>\$ (11,997)</u>
Total Audit Adjustment	<u>\$ (25,927)</u>	<u>\$ (29,711)</u>	<u>\$ (31,539)</u>	<u>\$ (87,177)</u>

As a result of the revised methodology, total allowable costs for this audit finding increased by \$21,130 (the original audit finding of \$108,307 less the revised audit adjustment of \$86,282). Consequently, we reissued our audit report on November 25, 2009 [**Exhibit B**], to incorporate these results.

While we noted that the unallowable amounts were inaccurately extrapolated in the original audit report, we disagree with the district's contention that our sampling method was not representative for each population. 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.⁷

⁷ Ibid, p. 9.

District's Original Response

SAMPLE ERROR: 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 costs. 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 45,785 notices distributed by the District. The total sample size for the three years was 883 notices, 294 per year for fiscal years 1999-00, 2000-01, and 295 notices per year for fiscal year 2001-02. Less than two percent of the total number of notices were audited (1.93%). The number of notices sent by one school would be about 1.43% of total notices. The stated precision rate was plus or minus 8%, even though the sample size was nearly identical for all three fiscal years, and even though the audited number of notices claimed in FY 2000-01 (14,413) is 14% smaller than the size of FY 2001-02 (16,792). The expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number exactly between \$54,154 (50%) and \$162,461 (150%). An "interval" cannot be used as a finding of actual cost. Nor can be the midrange amount.

District's Revised Response

The revised audit report does not change the District's response on this issue. The bifurcation of the extrapolation universe may be more representative in terms of the calculation of the extrapolated amount, but the District still disputes the use of the sampling method for the reasons stated in the original incorrect reduction claim.

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.⁸

When the sample constitutes an appreciable portion of the population (more than 1%), the attributes sampling sample size is calculated as follows:⁹

$$n = \frac{p(1 - p)}{(SE/t)^2 + p(1 - p)/N}$$

⁸ Ibid, p. 90.

⁹ Ibid, p. 85.

Where:

n = sample size

p = percent of occurrence in population (expected error rate)

SE = desired sample precision

t = confidence level factor

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 1.96.¹⁰

The district states, "The expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number exactly between \$54,154 (50%) and \$162,461 (150%)." We disagree. The expected error rate is used to calculate the appropriate sample size. To this 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. . . .¹¹

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 \$61,238 to \$114,216 (Tabs 3 and 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 revised audit report identifies a \$108,307 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.

The district alleges that basing the results of our audit on the testing of 883 students out of a population of 45,796 is simply too small to be credible because "less than two percent of the total number of notices were audited (1.93%)." Although complete confidence can only be approached with a complete examination, the underlying mathematical basis of statistical sampling shows clearly that a small audit test can achieve a relatively high degree of reliability and that, beyond a certain point, additional testing improves reliability by only a very small amount. With the use of statistical sampling, the auditor can, in any given audit test, mathematically determine the extent of testing necessary to achieve a desired degree of reliability as well as the degree of risk associated with the extent of testing.

¹⁰ Ibid, p. 56.

¹¹ Ibid, p. 89.

District's Original Response

No Basis for Adjustments

... 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. If the Controller wishes to enforce other audit standards for mandated cost reimbursement, the Controller should comply with the Administrative Procedure Act.

SCO's Comments

Government Code section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. Government Code section 17561(d)(2) allows the SCO to audit the district's records to verify actual mandate-related costs and reduce any claim that the SCO determines is excessive or unreasonable. 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." Therefore, the district's contention that "...the findings are based upon the wrong standard for review" is without merit.

V. CLARIFICATION OF ATTENDANCE ACCOUNTING PROCEDURES –EFFECTS ON MANDATE REIMBURSEMENT

District's Revised Response

No change as a result of the revised audit report

District's Original Response

This finding contains no fiscal impact. The audit report recommends "that the district develop adequate truancy accounting policies and procedures consistent with the Education Code Section 48260 (a) and Section I of Parameters and Guidelines." The audit report asserts that the District "did not use proper attendance accounting procedures for student trancies." It appears the audit report confuses attendance accounting procedures, required by the Education Code, with mandate claiming procedures. The Controller was not auditing the District's attendance accounting procedures, but the number of "initial trancies" claimed for reimbursement. The scope of the audit report findings is limited to mandate claim reimbursement and unfounded comments regarding the attendance accounting procedures required by the Education Code are without merit.

SCO's Comments

The district believes that comments regarding proper attendance accounting procedures are not relevant to reimbursement under the parameters and guidelines. We disagree. On November 29, 1984, the CSM ruled that Education Code section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a state-mandated program. The CSM adopted and later amended the parameters and guidelines, which define reimbursable activities, on July 22, 1993. During the audit, we noted that the district classified middle and high school students as truant only when they had accumulated three days worth of "period" absences. As a result, the district's procedures delayed carrying out the actions specified in Education Code section 48260.5, as amended 1983, which includes the reimbursable activities in the parameters and guidelines. Under the district's attendance procedures, students who did not accrue enough "period" absences would not receive a notice, even though one was overdue. Ultimately, our finding is relevant to the district, as it reveals that the district failed to comply with the Education Code and, as a result, *underclaimed* reimbursable costs during the audit period.

VI. AMOUNT PAID BY THE STATE

Issue

For each fiscal year, the audit report identifies the amount previously paid by the State. The district believes the reported amounts paid are incorrect for each fiscal year in the audit report.

District's Original Response

This issue was not an audit finding. The payments received from the state is [sic] an integral part of the reimbursement calculation. The Controller changes the claimed payment amounts received without a finding in the audit report.

Amount Paid by the State	Fiscal Year of Annual Claim		
	1999-00	2000-01	2001-02
As Claimed	\$ 0	\$ 0	\$ 0
Audit Report	\$ 178,448	\$ 142,855	\$ 134,117

The propriety of these adjustments cannot be determined until the Controller states the reason for each change.

District's Revised Response

This issue was not an audit finding. The payments received from the state are an integral part of the reimbursement calculation. The Controller changed the payment amounts received without a finding in the original or revised audit report.

Amount Paid by the State	Fiscal Year of Annual Claim		
	1999-00	2000-01	2001-02
As Claimed	\$ 0	\$ 0	\$ 0
Original Audit Report	\$ 178,448	\$ 142,855	\$ 134,117
Revised Audit Report	\$ 143,739	\$ 143,543	\$ 182,986

The propriety of these adjustments cannot be determined until the Controller states the reason for each change.

SCO's Comments

The original and revised final audit reports correctly identify 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 payments to the district:

Action	Amount	Date
SCO payment on estimated FY 1999-2000 claim	\$ (95,621)	March 13, 2000
SCO payment on FY 1999-2000 actual claim	(82,827)	December 27, 2001
SCO payment on FY 1999-2000 actual claim	(8,647)	September 13, 2012
Subtotal	(187,095)	
Account receivable offset applied:		
Mandate Reimbursement Process Program FY 2002-03	14,907	June 16, 2005
Mandate Reimbursement Process Program FY 2004-05	19,802	June 16, 2005
Total accounts receivable offset applied	34,709	
Total net payment for FY 1999-2000	\$ (152,386)	

<u>Action</u>	<u>Amount</u>	<u>Date</u>
SCO payment on FY 2000-01 estimated claim	\$ (142,855)	March 8, 2001
SCO payment on FY 2000-01 actual claim	(688)	September 15, 2005
SCO payment on FY 2000-01 actual claim	<u>(10,223)</u>	September 13, 2012
Total net payment for FY 2000-01	<u>\$ (153,766)</u>	June 16, 2005
SCO payment on FY 2001-02 estimated claim	\$ (134,117)	March 15, 2002
SCO payment on FY 2001-02 actual claim	(48,869)	September 21, 2006
SCO payment on FY 2001-02 actual claim	<u>(2,260)</u>	September 13, 2012
Total net payment for FY 2001-02	<u>\$ (182,986)</u>	

For FY 1999-2000, the district provided a June 16, 2005 SCO adjustment letter to the district that supports \$178,448 (\$95,621 plus \$85,827) prior payments to the district and an overpayment owed the State of \$34,709 [Exhibit C-A]. We attached a September 13, 2012 SCO remittance advice to the district that supports an SCO offset from other mandated program(s) of \$34,709 and a payment of \$8,647 [Tab 5].

For FY 2000-01, the district provided a June 16, 2005 SCO adjustment letter to the district that supports \$142,855 in payment to the district and an underpayment owed the claimant district of \$688 [Exhibit C-A]. We attached a September 15, 2005 SCO remittance advice to the district that supports a subsequent payment of \$688 on September 15, 2005 [Tab 6] and a September 13, 2012 SCO remittance advice to the district that supports a payment of \$10,223 [Tab 7].

For FY 2001-02, the district provided a June 16, 2005 SCO adjustment letter to the district that supports \$134,117 in payment to the district and an underpayment owed the claimant district of \$48,869 [Exhibit C-A]. We attached a September 21, 2006 SCO remittance advice to the district that supports a subsequent payment of \$48,869 on September 21, 2006 [Tab 8] and a September 13, 2012 SCO remittance advice to the district that supports a payment of \$2,260 [Tab 9].

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 incorrect reduction claim process is not the proper avenue for the district to perform its internal revenue accounting. Neither the CSM nor the SCO is responsible for the district’s accounting of its current mandated cost program revenues.

VII. CLARIFICATION OF STATUTE OF LIMITATIONS

Issue

The district’s original Incorrect Reduction Claim contested the SCO’s ability to assess audit adjustments to the district’s mandated costs claims for the Notification of Truancy Program for FY 1999-2000 and FY 2000-01. Based on the statute of limitations for audit, the district believes the SCO had no authority to assess audit adjustments for FY 1999-00 and FY 2000-01 in the audit report. In its Revised Incorrect Reduction Claim, the district now states its belief that all three years of the audit period are beyond the statute of limitations and, therefore, the audit findings are void.

SCO Analysis

Chapter 906, Statutes of 1993, added Government Code section 17558.5, effective October 7, 1993 and operative as of January 1, 1994. This legislation stated that "a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended." Section 17558.5 was amended by Chapter 945, Section 12, Statutes of 1995, operative as of July 1, 1996 and repealed, operative as of January 1, 1997, by its own terms. This amendment extended the audit period to "no later than four years after the end of the calendar year in which the reimbursement claim is filed or last amended." Section 17558.5 was amended by Chapter 945, Section 13, Statutes of 1995, operative as of July 1, 1996, which reinstated the original provision that "a reimbursement claim for actual costs is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended." This is the section that was operative when the district's reimbursement claims for FY 1999-2000 and FY 2000-01 were filed.

Section 17558.5 was again amended by Chapters 1124 and 1128, Statutes of 2002, operative as of January 1, 2003, which revised the time period in which costs are subject to audit to no later than three years from the date the claim is filed or amended, whichever provides the later date. This is the section that was operative when we initiated our audit of the district's claim for FY 2001-02.

District's Original Response

This issue is not an audit finding of the Controller. The District asserts that the FY 1999-00 annual reimbursement claims and perhaps the FY 2000-01 claim was beyond the statute of limitations for an audit when the Controller issued its audit report on December 30, 2004.

The District's FY 1999-00 claim was mailed to the Controller on or about January 11, 2001. According to Government Code Section 17558.5, the FY 1999-00 annual reimbursement claim was subject to audit no later than December 31, 2003. The audit was completed after this date. Therefore, the audit adjustment for this fiscal year is barred by the statute of limitations.

The District's FY 2000-01 claim was timely filed to the Controller by January 15, 2002, since the audit report indicates no late filing penalty. The District's mandate claim preparation consultant, due to the passage of time, is unable to provide the District a copy of the signed FAM-7. However, the State Controller has possession of the claim and knowledge of the filing date. If the FY 2000-01 claim was filed before January 1, 2002, it was subject to audit no later than December 31, 2003.

SCO's Comments

Government Code section 17558.5, subdivision (a), operative July 1, 1996, stated, "A reimbursement claim . . . is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. . . ." In construing statutory language, we are to "ascertain the intent of the Legislature so as to effectuate the purpose of the law." (*Dyna-Med., Inc. v. Fair Employment and Housing Com.* (1987) 43 Cal.3d 1379, 1386.) In doing so, we look first to the statute's words, giving them their usual and ordinary meaning. (*Committee of Seven Thousand v. Superior Court* (1988) 45 Cal. 3d 491, 501). In Government Code Section 17558.5(a), the words "subject to" mean that the district is "in a position or circumstance that places it under the power or authority of another."¹²

The fundamental purpose underlying statute of limitations is "to protect the defendants from having to defend stale claims by providing notice in time to prepare a fair defense on the merits." (*Downs v. Department of Water & Power* (1977) 58 Cal. App. 4th 1093.)

The district's authorized representative signed the district's FY 1999-2000 Notification of Truancy claim on January 11, 2001. According to the provisions of Government Code section 17558.5 effective July 1, 1996, the FY 1999-2000 claim was subject to audit until December 31, 2003. The

district's authorized representative signed the district's FY 2000-01 Notification of Truancy claim on November 11, 2002. According to the provisions of Government Code section 17558.5 effective July 1, 1996, the FY 2000-01 claim was subject to audit until December 31, 2004. The SCO exercised its authority to audit the district's claims by conducting the audit entrance conference on March 5, 2003, well before the statute of limitations expired for the FY 1999-00 claim (December 31, 2003) and the FY 2000-01 claim (December 31, 2004).

The district is attempting to rewrite the language contained in statute because there was no statutory language in the Government Code operative for our audit of the FY 2000-01 and FY 2001-02 claims that required the SCO to publish a final audit report on the reimbursement claims within two years of audit initiation. Even if there was such a requirement, the SCO would have still been within the authority to assess audit adjustments on the FY 2000-01 and FY 2001-02 claims, as the audit commenced on March 5, 2003, and our original audit report was issued on December 30, 2004.

In addition, the CSM's statement of decision for an Incorrect Reduction Claim (Case 01-4241-I-03) for the Emergency Procedures, Earthquake, and Disasters Program states "The Commission interprets section 17558.5(a) to mean that the State Controller's Office was required to initiate an audit no later than two years after the end of the calendar year in which the District's reimbursement claim was filed."

¹² Source: American Heritage Dictionary of the English Language, Fourth Edition © 2000.

District's Revised Response

This issue is not an audit finding of the Controller. The original incorrect reduction claim filed by the District on December 17, 2007, asserted that the FY 1999-00 and perhaps the FY 2000-01 annual claims were beyond the statute of limitations when the Controller issued the original audit report on December 30, 2004. The Controller issued the revised audit report on November 25, 2009. The District asserts that all three fiscal years are now beyond the statute of limitations for revised audit findings.

Chronology of Claim Action Dates

On or about January 11, 2001	FY 1999-00 claim filed by the District.
Unknown	FY 2000-01 claim filed by the District
On or about March 7, 2003	FY 2001-02 amended claim filed by the District
December 31, 2003	FY 1999-2000 statute of limitations for audit expires
December 31, 2003	FY 2000-01 statute of limitations for audit expires if the claim was filed before January 1, 2002.
December 31, 2004	FY 2000-01 statute of limitations expires if the claim was filed after December 31, 2001, and before January 1, 2003
December 30, 2004	Controller's original final audit report is issued
March 7, 2006	For FY 2001-02, the statute of limitations expires to initiate an audit.
November 25, 2009	Controller's revised final audit report is issued

The District's FY 1999-2000 annual claim was mailed to the Controller on or about January 11, 2001. According to Government Code Section 17558.5 (pursuant to Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996), the FY 1999-2000 annual reimbursement claim was subject to the completion of an audit no later than December 31, 2003. The original audit was completed after this date.

It appears that the District's FY 2000-01 annual claim was timely submitted to the Controller by January 15, 2002, since the audit report indicates no late filing penalty. The District is unable to provide a copy of the signed FAM-27. However, the State Controller has possession of the claim and knowledge of the filing date. According to Government Code Section 17558.5 (Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996), if the FY 2000-01 claim was filed before January 1, 2002, it was subject to completion of audit no later than December 31, 2003, and no later than December 31, 2004, if the claim was filed after December 31, 2001 and before January 1, 2003. The original audit was completed December 30, 2004.

The District's amended FY 2001-02 annual claim was mailed to the Controller on or about March 7, 2003. According to Government Code Section 17558.5, (Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003); the FY 2001-02 annual reimbursement claim was subject to the initiation of an audit no later than March 7, 2006.

The new findings of the revised audit report were initiated by notice to the District by e-mail dated September 3, 2009, from the Controller. Clearly, the Controller did not initiate these new findings during the statutory period allowed for any of the three fiscal years that are the subject of this audit. The revised findings are therefore void for all three fiscal years.

SCO's Comments

The district's contention that findings for all three years of the audit period are void is without merit. In its response, the district is attempting to characterize the revised audit report as the initiation of "new findings" and, therefore, a new audit with a new completion date. However, the issuance of a revised final audit report to correct allowable cost amounts does not constitute the initiation of a new audit.

The SCO exercised its authority to audit the district's claims by conducting the audit entrance conference on March 5, 2003. The revision of audit findings previously reported based on updated information does not constitute the initiation of a new audit. The word "revise" is defined as "to read over carefully and correct, improve, or update where necessary."¹³ In this instance, we corrected and updated the original results of the audit where necessary. In addition, there were no "new" findings contained in the revised audit report, just a revision to the numerical analysis of Finding 2 – "Unallowable costs relating to initial truancies." The facts surrounding the reasons for the unallowable costs did not change, only the computation of the unallowable costs. The revised final audit report resulted in an increase in allowable costs of \$21,130.

As previously noted, our audit was initiated well before the statute of limitations expired for the FY 1999-00 claim (December 31, 2003), and the FY 2000-01 claim (December 31, 2004). Our audit of the claim for FY 2001-02 was also initiated well before the statute of limitations expired (March 7, 2006).

¹³ Webster's New World Dictionary, Third College Edition, 1989.

V. CONCLUSION

The State Controller's Office 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 \$87,177 for initial truancy notification forms distributed to a pupil's parent or guardian that were not reimbursable.

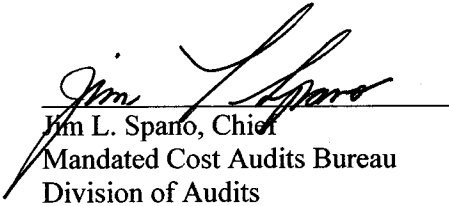
Although Education Code section 48260, subdivision (a) (as amended in 1994), defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, the parameters and guidelines requires at least four unexcused absences for the pupil to be classified as a reimbursable truant.

In conclusion, the CSM should find that (1) the SCO had authority to audit FY 1999-2000 and FY 2000-01 claims; (2) the SCO correctly reduced the district's FY 1999-00 claim by \$26,062; (3) the SCO correctly reduced the district's FY 2000-01 claim by \$29,711; and (4) the SCO correctly reduced the district's FY 2001-02 claim by \$31,539.

VI. 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 February 28, 2013, at Sacramento, California, by:



Jim L. Sparto, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller's Office

TAB 3

**SAN JUAN UNIFIED SCHOOL DISTRICT
NOTIFICATION OF TRUANCY PROGRAM
JULY 1, 1999, THROUGH JUNE 30, 2002**

ANALYSIS OF STATISTICAL SAMPLE RESULTS

	Fiscal Year		
	1999-2000	2000-01	2001-02
Non-reimbursable initial truancy notifications (A):			
Elementary/K-8 Schools	52	62	38
Secondary Schools	5	2	8
Sample size (B):			
Elementary/K-8 Schools	146	146	147
Secondary Schools	148	148	148
Error rate ((C) = (A) ÷ (B)):			
Elementary/K-8 Schools	35.62%	42.47%	25.85%
Secondary Schools	3.37%	1.35%	5.41%
Population (D):			
Elementary/K-8 Schools	5,060	5,203	7,509
Secondary Schools	9,531	9,210	9,283
Point Estimate ((E) = (C) x (D)):			
Elementary/K-8 Schools	1,802	2,210	1,941
Secondary Schools	321	124	502
Confidence level factor (F) (95% confidence level)			
	1.96	1.96	1.96
Universe standard error (G):¹			
Elementary/K-8 Schools	198	211	269
Secondary Schools	141	87	172
Upper limit (H) = (E) + ((F) x (G)):			
Elementary/K-8 Schools	2,190	2,624	2,468
Secondary Schools	597	295	839
Lower limit (J) = (E) - ((F) x (G)):			
Elementary/K-8 Schools	1,414	1,796	1,414
Secondary Schools	45	(47)	165

$$^1 (G) = (D) \times \sqrt{\frac{(C) \times (1 - C)}{(B) - 1 \times (1 - ((B) \div (D)))}}$$

Calculation differences due to rounding.

TAB 4

**SAN JUAN UNIFIED SCHOOL DISTRICT
NOTIFICATION OF TRUANCY PROGRAM
JULY 1, 1999, THROUGH JUNE 30, 2002**

CALCULATION OF AUDIT ADJUSTMENT RANGE

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
<u>Elementary / K-8 Schools</u>				
Number of unallowable initial truancy notifications - upper limit (H)	2,190	2,624	2,468	
Uniform cost allowance	x \$12.33	x \$12.73	x \$12.91	
Subtotal	<u>\$ 27,003</u>	<u>\$ 33,404</u>	<u>\$ 31,862</u>	\$ 92,269
<u>Secondary schools</u>				
Number of unallowable initial truancy notifications - upper limit (H)	597	295	839	
Uniform cost allowance	x \$12.33	x \$12.73	x \$12.91	
Subtotal	<u>\$ 7,361</u>	<u>\$ 3,755</u>	<u>\$ 10,831</u>	<u>21,947</u>
Audit adjustment, upper limit	<u>\$ 34,364</u>	<u>\$ 37,159</u>	<u>\$ 42,693</u>	<u>\$ 114,216</u>
<u>Elementary / K-8 Schools</u>				
Number of unallowable initial truancy notifications - lower limit (J)	1,414	1,796	1,414	
Uniform cost allowance	x \$12.33	x \$12.73	x \$12.91	
Subtotal	<u>\$ 17,435</u>	<u>\$ 22,863</u>	<u>\$ 18,255</u>	\$ 58,553
<u>Secondary schools</u>				
Number of unallowable initial truancy notifications - lower limit (J)	45	0	165	
Uniform cost allowance	x \$12.33	x \$12.73	x \$12.91	
Subtotal	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ 2,130</u>	<u>2,685</u>
Audit adjustment, lower limit	<u>\$ 17,990</u>	<u>\$ 22,863</u>	<u>\$ 20,385</u>	<u>\$ 61,238</u>

TAB 5

CONTROLLER OF CALIFORNIA

S34085

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 WARRANT AMT: *****8,647.00

SAN JUAN UNIFIED SCHOOL DIST

SACRAMENTO COUNTY

3738 WALNUT AVENUE

CARMICHAEL CA 95608

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 09/13/2012

CLAIM SCHEDULE NBR: MA23602A

REIMBURSEMENT OF STATE MANDATED COSTS

QUESTIONS, CONTACT TIN BUI AT 916 323 8137 OR TBUI@SCO.CA.GOV

ACL : 6110-295-0001-1999 PROG : NOTICE OF TRUANCY : 498/83-S

1999/2000 ACTUAL PAYMENT CLAIMED AMT: 178,448.00

TOTAL ADJUSTMENTS: (SEE BELOW) 26,062.00

TOTAL APPROVED CLAIMED AMT: 152,386.00

LESS PRIOR PAYMENTS: 182,978.00-

PRORATA PERCENT: 100.000000

PRORATA BALANCE DUE: .00

APPROVED PAYMENT AMOUNT: 8,647.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT: 8,647.00

ADJUSTMENTS ITEMIZED: =====

PRIOR COLLECTIONS 34,709.00

FIELD AUDIT FINDINGS 26,062.00-

TAB 6

CONTROLLER OF CALIFORNIA
P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

S34085

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED
DIRECTLY TO THE PAYEE.

BOARD OF TRUSTEES
SAN JUAN UNIFIED SCHOOL DIST
SACRAMENTO COUNTY
3738 WALNUT AVENUE
CARMICHAEL CA 95608
PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST
FUND NAME: GENERAL FUND
ISSUE DATE: 09/15/2005
REIMBURSEMENT OF STATE MANDATED COSTS
ANY QUESTION, CALL MOHAMMED AZIZ @ (916)323-2892
ACL : 6110-295-0001-2000 PROG : NOTICE OF TRUANCY CH 498/83
2000/2001 ACTUAL PAYMENT
TOTAL ADJUSTMENTS: (SEE BELOW)
TOTAL APPROVED CLAIMED AMT:
LESS PRIOR PAYMENTS:
PRORATA PERCENT:
PRORATA BALANCE DUE:
APPROVED PAYMENT AMOUNT:
PAYMENT OFFSETS -NONE
WARRANT AMT: *****688.00
PGM NBR: 00048
CLAIM SCHEDULE NBR: MA52101A
183,477.00
39,934.00
143,543.00
142,855.00-
100.000000
.00
688.00
NET PAYMENT AMOUNT: 688.00
ADJUSTMENTS ITEMIZED:
FIELD AUDIT FINDINGS 39,934.00-

TAB 7

CONTROLLER OF CALIFORNIA

S34085

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 WARRANT AMT: ****10,223.00

SAN JUAN UNIFIED SCHOOL DIST

SACRAMENTO COUNTY

3738 WALNUT AVENUE

CARMICHAEL CA 95608

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND PGM NBR: 00048

ISSUE DATE: 09/13/2012 CLAIM SCHEDULE NBR: MA23603A

REIMBURSEMENT OF STATE MANDATED COSTS

QUESTIONS, CONTACT TIN BUI AT 916 323 8137 OR TBUI@SCO.CA.GOV

ACL : 6110-295-0001-2000 PROG : NOTICE OF TRUANCY : 498/83-S

2000/2001 ACTUAL PAYMENT CLAIMED AMT: 183,477.00

TOTAL ADJUSTMENTS: (SEE BELOW) 29,711.00

TOTAL APPROVED CLAIMED AMT: 153,766.00

LESS PRIOR PAYMENTS: 143,625.00-

PRORATA PERCENT: 100.000000

PRORATA BALANCE DUE: .00

APPROVED PAYMENT AMOUNT: 10,223.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT: 10,223.00

ADJUSTMENTS ITEMIZED: =====

FIELD AUDIT FINDINGS 29,711.00-

TAB 8

CONTROLLER OF CALIFORNIA
P.O. BOX 942850, SACRAMENTO, CALIFORNIA 94250

S34085

THIS REMITTANCE ADVICE IS FOR INFORMATION PURPOSE ONLY.
THE WARRANT COVERING THE AMOUNT SHOWN WILL BE MAILED
DIRECTLY TO THE PAYEE.

BOARD OF TRUSTEES
SAN JUAN UNIFIED SCHOOL DIST
SACRAMENTO COUNTY
3738 WALNUT AVENUE
CARMICHAEL CA 95608

WARRANT AMT: ****48,869.00

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST
FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 09/21/2006 CLAIM SCHEDULE NBR: MA62133A
REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTION, CALL MOHAMMED AZIZ @ 916-323-2892

ACL : 6110-295-0001-2001 PROG : NOTICE OF TRUANCY CH 496/83

2001/2002 ACTUAL PAYMENT CLAIMED AMT: 216,785.00

TOTAL ADJUSTMENTS: (SEE BELOW) 33,799.00

TOTAL APPROVED CLAIMED AMT: 182,986.00

LESS PRIOR PAYMENTS: 134,117.00-

PRORATA PERCENT: 100.000000

PRORATA BALANCE DUE: .00

APPROVED PAYMENT AMOUNT: 48,869.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT: 48,869.00

ADJUSTMENTS ITEMIZED: =====

FIELD AUDIT FINDINGS 33,799.00-

TAB 9

CONTROLLER OF CALIFORNIA

S34085

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 WARRANT AMT: *****2,260.00

SAN JUAN UNIFIED SCHOOL DIST

SACRAMENTO COUNTY

3738 WALNUT AVENUE

CARMICHAEL CA 95608

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 09/13/2012

CLAIM SCHEDULE NBR: MA23604A

REIMBURSEMENT OF STATE MANDATED COSTS

QUESTIONS, CONTACT TIN BUI AT 916 323 8137 OR TBUI@SCO.CA.GOV

ACL : 6110-295-0001-2001 PROG : NOTICE OF TRUANCY : 498/83-S

2001/2002 ACTUAL PAYMENT CLAIMED AMT: 216,785.00

TOTAL ADJUSTMENTS: (SEE BELOW) 31,539.00

TOTAL APPROVED CLAIMED AMT: 185,246.00

LESS PRIOR PAYMENTS: 188,816.00-

PRORATA PERCENT: 100.000000

PRORATA BALANCE DUE: .00

APPROVED PAYMENT AMOUNT: 2,260.00

PAYMENT OFFSETS -NONE

NET PAYMENT AMOUNT: 2,260.00

ADJUSTMENTS ITEMIZED: =====

FIELD AUDIT FINDINGS 31,539.00-

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 8, 2014, I served the:

SCO Comments

Incorrect Reduction Claim

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, 2000-2001, and 2001-2002

San Juan 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 8, 2014 at Sacramento, California.



Heidi J. Palchik
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 10/6/14

Claim Number: 07-904133-I-05 Consolidated with 10-904133-I-07

Matter: Notification of Truancy

Claimant: San Juan 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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95814

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Keith Petersen, *SixTen & Associates*

Claimant Representative

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kbsixten@aol.com

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dscribner@max8550.com

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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

Kent Stephens, Chief Financial Officer, *San Juan Unified School District*

Business Services, 3738 Walnut Avenue, Carmichael, CA 95609

Phone: (916) 971-7238

kent.stephens@sanjuan.edu

COMMISSION ON STATE MANDATES

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 SACRAMENTO, CA 95814
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 FAX: (916) 445-0278
 E-mail: csminfo@csm.ca.gov



July 31, 2015

Mr. Keith B. Petersen
 SixTen and Associates
 P.O. Box 340430
 Sacramento, CA 95834-0430

Ms. Jill Kanemasu
 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, 07-904133-I-05 and 10-904133-I-07
 Education Code Section 48260.5
 Statutes 1983, Chapter 498
 Fiscal Years 1999-2000, 2000-2001, and 2001-2002
 San Juan 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 **August 21, 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 **Friday, September 25, 2015**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. The proposed decision will be issued on or about September 11, 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 1999-2000, 2000-2001, and 2001-2002

07-904133-I-05 and 10-904133-I-07

San Juan Unified School District, Claimant

EXECUTIVE SUMMARY

Overview

This consolidated Incorrect Reduction Claim (IRC) analysis addresses reductions made by the State Controller's Office (Controller) to San Juan Unified School District's (claimant's) reimbursement claims for costs incurred during fiscal years 1999-2000 through 2001-2002 under the *Notification of Truancy* program.

The following issues are in dispute:

- The statutory deadlines for initiation and completion of an audit;
- Reductions based on initial truancy notifications that the Controller concluded were sent before pupils had accumulated the required number of absences to be classified as a truant under the mandated program; and
- Whether the use of statistical sampling to support the reduction is an underground regulation or violates claimant's right to reimbursement for all mandated costs incurred under article XIII B, section 6 of the California Constitution.

As explained herein, staff finds that the original final audit report was timely initiated and timely completed, but that the revised audit report was not timely completed. However, the revised audit report in this case makes no reductions and reinstates some of the costs reduced in original final audit. To the extent that the revised audit moots issues raised in the IRC by reinstating claimed costs, the Commission on State Mandates (Commission) may take judicial notice of the revised audit.

Staff also finds that the Controller's reduction based on a definition of truancy in prior law¹, which was never found to impose a mandated activity, is incorrect as a matter of law. That

¹ Four or more absences, rather than the three or more absences under the law at the time costs were incurred.

definition merely defines the triggering event for compliance with the mandated program and does not itself require any mandated activities.

Further, staff finds that the Controller's statistical sampling and extrapolation calculation of reductions for pupils who did not accumulate three absences or instances of tardiness based on estimation sampling and extrapolation is not inconsistent with the requirement of article XIII B, section 6 that local governments are entitled to reimbursement of all costs mandated by the state nor does the Controller's application of this methodology in this instance constitute an illegal underground regulation.

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.² Statutes 1983, chapter 498 added Education Code Section 48260.5 which specified as follows:

§ 48260.5. Notice to parent or guardian; alternative educational 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 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, 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

² Education Code section 48200.

³ Exhibit X, Brief Written Statement for Adopted Mandate issued by the Board of Control on the Notification of Truancy test claim (SB 90-4133).

guidelines, section 48260, as enacted in 1983 (which was found not to impose any mandated activities), provided that a truancy occurs when a student 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...”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 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

Procedural History

⁴ Education Code section 48260 (Stats. 1983, ch. 498).

⁵Exhibit A, IRC, page 69.

⁶ The parameters and guidelines as amended in 2008 are not applicable to this IRC.

⁷ Education Code section 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.

⁸ Education Code section 48260.5, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.

⁹ Statutes 2007, chapter 69 (AB 1698).

On January 11, 2001, the claimant signed its fiscal year 1999-2000 claim.¹⁰ On March 5, 2003, the entrance conference was held.¹¹ On December 30, 2004, the Controller issued the final audit report.¹² On December 17, 2007, claimant filed IRC 07-904133-I-05.¹³

On November 25, 2009, the Controller issued a revised audit report.¹⁴ On July 16, 2010, the claimant filed a revised IRC, 10-904133-I-07, which was consolidated with IRC 07-904133-I-05.¹⁵ On October 3, 2014, the Controller filed written comments on the consolidated IRC.¹⁶

On July 31, 2015, Commission staff issued the draft proposed decision.¹⁷

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 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 6.¹⁸ 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."¹⁹

¹⁰ Exhibit A, IRC 07-904133-I-05, page 81.

¹¹ Exhibit C, Controller's Comments on IRC, pages 5; 27.

¹² Exhibit A, IRC 07-904133-I-05, page 19.

¹³ Exhibit A, IRC 07-904133-I-05, page 1.

¹⁴ See Exhibit B, IRC 10-904133-I-07, pages 8; 20.

¹⁵ Exhibit B, IRC 10-904133-I-07, page 1.

¹⁶ Exhibit C, Controller's Comments.

¹⁷ Exhibit D, Draft Proposed Decision.

¹⁸ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

¹⁹ *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.

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 the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.²⁰

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.²¹ In addition, sections 1185.2(c) and 1185.1(f)(3) of the Commission’s regulations require that any assertions of fact by the parties to an IRC must be supported by documentary evidence.²² The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.²³

Claims

The following chart provides a brief summary of the claims and issues raised and staff’s recommendation.

Issue	Description	Staff Recommendation
Whether the Controller met the statutory deadlines to initiate and to complete the audits.	<p>At the time the underlying reimbursement claims were filed, Government Code section 17558.5 provided that a claim is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended.</p> <p>As amended by Statutes 2002, chapter 313 (AB 2224), effective January 1, 2003, section 17558.5 provided that a claim would be “subject to the initiation of an audit” for three years from the date the claim is filed or last amended.</p> <p>Claimant asserts that its fiscal year 1999-2000 claim was no longer <i>subject to audit</i> at the time the original final audit report was</p>	<p><i>The original final audit report was timely initiated and timely completed, but the revised audit report was not timely completed</i> – Staff finds that the plain language of section 17558.5, at the time the reimbursement claims were filed, did not require the Controller to <i>complete</i> an audit within any specified period of time, but only to begin an audit within two years of the end of the calendar year in which the claim(s) were filed. Additionally, a subsequent</p>

²⁰ *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.

²¹ *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

²² Register 2014, No. 21.

²³ 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>issued, December 30, 2004, based on the filing date of January 11, 2001.</p> <p>As later amended by Statutes 2004, chapter 890 (AB 2856), section 17558.5 requires an audit to be <i>completed</i> not later than two years after the date that the audit is commenced. This provision became effective January 1, 2005, and applies to all audits then pending or thereafter completed.</p>	<p>amendment to the statute demonstrates that “subject to audit” means “subject to the initiation of an audit,” and because the period subject to audit had not yet closed at the time that amendment became effective, the Controller receives the benefit of the extra time. Therefore, staff finds that the final audit report is not barred.</p> <p>Additionally, staff finds that the two-year completion requirement for audits, effective January 1, 2005, was not applicable to the original final audit report, which was completed less than twenty-two months after initiation. However, the revised final audit report issued November 25, 2009 falls outside the two year completion requirement of section 17558.5, and is therefore not timely.</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><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 is incorrect as a</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 (SB 1728) and Statutes 1995, chapter 19 (SB 102), the parameters and guidelines were no longer consistent with the Education Code during the audit period.</p>	<p>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 is no longer applicable and did not impose the mandate is incorrect as a matter of law. As discussed in the decision below, there was no need, as a legal matter, to file a test claim or amendment to parameters and guidelines in this case (though a PGA would be useful for the sake of clarity) because the change to this definition did not add to or change the mandated activities.</p>
<p>Reductions made by statistical sampling and extrapolation</p>	<p>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</p>	<p><i>Partially correct</i> – As discussed above, reductions for notices for pupils with three or more absences are incorrect as a matter of law; that conclusion extends to reductions based on an</p>

<p>of unallowable notifications.</p>	<p>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.</p>	<p>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 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 Met the Statutory Deadline for the Initiation and Completion of the Audit, but the Revised Audit Report Was not Completed Within the Two Year Statutory Deadline.

1. *The Final Audit Report Issued December 30, 2004 Was Timely, Pursuant to Government Code Section 17558.5.*

Staff finds that the first final audit report was both timely initiated and timely completed, based on the plain language of section 17558.5, as added by Statutes 1995, chapter 945, and as amended by Statutes 2002, chapter 1128. The 1995 version of section 17558.5 provided that a claim was “subject to audit by the Controller *no later than two years after the end of the calendar year* in which the reimbursement claim is filed or last amended.”²⁴ Based only upon the plain language of this section, the earliest reimbursement claim in issue, filed January 11, 2001,²⁵ would be “subject to audit” until the end of the calendar year 2003. However, staff finds that “subject to audit” does not require the *completion* of an audit before the end of the calendar year, and that initiating an audit before the expiration of that period is sufficient. Accordingly, the clarifying amendment made by Statutes 2002, chapter 1128 provided that a reimbursement claim “is subject to the initiation of an audit by the Controller no later than ~~two~~three years after ~~the end of the calendar year in which~~ date that the actual reimbursement claim is filed or last amended, whichever is later.”²⁶ This amendment supports the interpretation urged by the Controller that “subject to audit” requires only that an audit be initiated before a time certain. Moreover, because the amendment expanded the statutory period while it was still pending, the Controller receives the benefit of the additional time.²⁷ Therefore, based on the plain language as amended in 2002 (effective January 1, 2003), the reimbursement claims in issue would be “*subject to the initiation of an audit*” until three years after the claims were filed, or January 11, 2004, for the 1999-2000 reimbursement claim. Because an entrance conference was held March 5, 2003, the audit was initiated prior to the running of the statutory period under either the 1995 version of section 17558.5, or under the section as amended in 2002, and the audit was therefore timely initiated.²⁸

At the time the costs were incurred in this case, section 17558.5 did not expressly fix the time during which an audit must be completed. Nevertheless, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.²⁹ Here, the audit report was issued December 30, 2004, less than twenty-two months after the entrance conference date of March 5, 2003. Therefore, there is no evidence of an unreasonable delay in the completion of the audit.

²⁴ Government Code section 17558.5 (Stats. 1995, ch. 945 (SB 11)).

²⁵ Exhibit A, IRC 07-904133-I-05, page 81.

²⁶ Government Code section 17558.5 (Stats. 2002, ch. 1128 (AB 2834)).

²⁷ *Douglas Aircraft v. Cranston* (1962) 58 Cal.2d 462, 465.

²⁸ Staff acknowledges that the audit was likely initiated earlier than the entrance conference (such as when it can be independently verified that the audit initiation letter was sent or received) but there is no evidence of an earlier initiation in this record and, in this case an earlier date would not change the conclusion that the audit was timely initiated.

²⁹ *Cedar-Sinai Medical Center v. Shewry* (2006) 137 Cal.App.4th 964, 985-986.

Based on the foregoing, staff finds that the original final audit of the subject reimbursement claims is timely and not barred by section 17558.5.

2. *The Revised Audit Issued November 25, 2009 Was Issued Beyond the Deadlines Imposed by Section 17558.5, but May be Considered by the Commission to the Extent that it Narrows the Issues in Dispute or Makes Concessions to the Claimant.*

Statutes 2004, chapter 890 (SB 2856), effective January 1, 2005, added a requirement in section 17558.5 that “[i]n any case, an audit *shall be completed* not later than two years after the date that the audit is commenced.” Here, the Controller’s audit of the relevant claim years was “commenced,” within the meaning of section 17558.5, no later than March 5, 2003, when the entrance conference was held. The amendment to section 17558.5 that imposed the two year completion requirement became effective January 1, 2005. Therefore, a timely audit must be completed by March 5, 2005, and the Controller had over two months’ notice of the requirement to complete the audit within two years. Moreover, the California Supreme Court has held that the Legislature may shorten or impose a period of limitation affecting a state agency without notice, even if the effect is to cut off the rights of the agency with respect to a pending matter.³⁰

Based on relevant case law, two months’ notice to complete the audit before applying the statutory bar is sufficient, and the Legislature’s action cutting off the Controller’s power to audit must be upheld.³¹ As explained above, the original “final” audit report was timely, because it was completed approximately twenty-two months after the initiation date, and prior to the institution of the two-year completion requirement. However, the revised audit report, modifying the *original* “final” audit report, was issued on November 25, 2009, approximately six years and eight months after the audit was initiated. It therefore falls outside the statutory two year completion requirement imposed by section 17558.5, as amended by Statutes 2004, chapter 890. Nevertheless, staff finds that the Commission may take official notice³² of the revised audit report, to the extent that the revised audit report narrows the issues in dispute or mitigates the amounts of the reductions originally asserted by the Controller.

Based on the foregoing, staff finds that the revised audit report issued November 25, 2009 was not completed within the deadline required by section 17558.5, but may be considered by the Commission to the extent that it narrows the issues in dispute or makes concessions to the claimant with respect to its allegations in the IRC.

³⁰ *California Employment Stabilization Commission v. Payne* (1948) 31 Cal.2d 210, 215 [“[A] statute which adversely affects only the right of the state is not invalid merely because it operates to cut off an existing remedy of an agency of the state.”].

³¹ See *Rosefield Packing Company v. Superior Court of the City and County of San Francisco* (1935) 4 Cal.2d 120, 123 [“The plaintiff, therefore, had practically an entire year to bring his case to trial...”]; *Kerchoff-Cuzner Mill and Lumber Company v. Olmstead* (1890) 85 Cal. 80 [thirty days to file a lien on real property]. See also *Kozisek v. Brigham* (Minn. 1926) 169 Minn. 57, 61 [three months].

³² Code of Regulations, title 2, section 1187.5(c) [“Official notice may be taken in the manner and of the information described in Government Code section 11515.”].

B. The Controller’s Reduction Based on the Former Definition of Truant is Inconsistent with the Education Code, and is Incorrect as a Matter of Law, But Reductions Based on the Current Definition of Truant are Correct as a Matter of Law and Not Arbitrary, Capricious or Entirely Lacking in Evidentiary Support.

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, Chapter 498, Statutes of 1983.”³³ As originally adopted, and as late as the July 22, 1993 amendments, the parameters and guidelines included the then-current definition of a truancy as occurring “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” in its summary of the mandate.³⁴

However, as amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, section 48260 thereafter provided:

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 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.³⁵

Additionally, section 48260.5 was substantively amended to require additional information in the notices. No test claim or request to amend parameters and guidelines on these changes was ever filed with the Commission. The Legislature in 2007 directed the Commission to amend the parameters and guidelines to reflect the changes to the Education Code affecting the Notification of Truancy mandate, and the Commission did so in January 2008, effective July 1, 2006, 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).³⁶ Therefore, between the amendment of the Education Code in 1995 and the amendment of the parameters and guidelines in 2008, the parameters and guidelines included an obsolete definition of “truant” in its “summary of the mandate” (essentially an overview of the program).

The costs at issue in this IRC were incurred from fiscal year 1999-2000 to 2001-2002 and the reimbursement claims were filed in the year after costs were incurred. Therefore, at the time the costs were incurred and reimbursement claims were filed, and indeed at the time the first final audit report was issued, the definition of truancy included in the parameters and guidelines was not consistent with the definition of truancy in the Education Code. The dispositive issue, then,

³³ Exhibit A, IRC 07-904133-I-05, page 33.

³⁴ Exhibit A, IRC 07-904133-I-05, page 31.

³⁵ Education Code section 48260 (Stats. 1995, ch. 19) [Emphasis added].

³⁶ Statutes 2007, chapter 69 (AB 1698); Exhibit X, Parameters and Guidelines, amended 05/27/2010.

in this IRC, is whether the Controller may reduce costs claimed for a mandated program which has not changed (to provide notices) based upon an obsolete definition in the parameters and guidelines, which the Board of Control and the Commission found did not impose the mandate in the first instance.

Staff finds, based on the facts surrounding the adoption of the parameters and guidelines and the law in this case, that Education Code section 48260 does not impose a mandated activity; it merely defines the event that triggers the mandated activity.³⁷ 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 described as a reimbursable cost in the Reimbursable Costs section. Section 48260, as amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, does not impose a new program or higher level of service, and there is no evidence that the change to section 48260 imposes additional costs mandated by the state.³⁸ Moreover, though the parameters and guidelines were later amended at the direction of the Legislature, the unit cost was not changed nor was the mandated activity to provide the notice. Therefore, section 48260 was amended without altering the scope of the mandated activities, and did not require the filing of a test claim.

The mandated program requires school districts to send out an "initial notification of truancy" upon a pupil's classification as a truant under the Code. The Education Code, as of 1995 and after, provides for the initial notification to be issued upon the *third* absence or instance of tardiness (or any combination thereof). The parameters and guidelines in this case were understandably a source of confusion to the auditors in that they included a definition in the summary (i.e., *more than three* absences or instances of tardiness) which was never part of the mandate finding. The Controller's auditors are required to adhere to the parameters and guidelines and appear to have attempted to do so here. However, based on the foregoing, staff finds that reductions based on pupils who accumulated three (but not four) absences or instances of tardiness are incorrect as a matter of law. All costs reduced on this basis should be reinstated to the claimant.

However, a small number of initial notifications were issued for pupils who did not accumulate *three* absences during the school year, and thus were not truant even under the 1995 definition in the Education Code. Section 48260.5, as approved by the Board of Control's test claim decision, and as described in the Commission's 1993 parameters and guidelines, requires a school district to issue a notification of truancy "by first-class mail or other reasonable means" to the pupil's parent or guardian "upon a pupil's *initial classification* as a truant..."³⁹

³⁷ 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.

³⁸ Section 48260.5, also amended by Statutes 1994, chapter 1023, did alter the required elements of the notification issued by school districts, but there was never a test claim filed on that amended section alleging a new program or higher level of service, or increased costs, and the activity of issuing the notification was not altered.

³⁹ 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.

Therefore, 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.

C. The Controller's Reductions Based on Statistical Sampling and Extrapolation Are not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support to the Extent that the Extrapolation Is Based on Correctly Disallowed Notices.

In its audit the Controller examined a random sample of notices issued by the claimant, for each fiscal year, to determine the proportion of notifications that were unallowable for the Controller's asserted legal reasons. 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 claimant, to project a total number of unallowable notifications, which was then multiplied by the unit cost for that year to estimate the reduction. In the first final audit report, a single error rate was calculated for all K-12 and special education students, which the claimant challenged as non-representative, due to the claimant's assertion that "the incidence of truancy in secondary schools is generally greater than elementary schools."⁴⁰ Therefore, in its revised audit, the Controller calculated error rates for elementary and special education students separately from middle and high school students, and extrapolated (projected) a number of unallowable notifications separately for each population.⁴¹ The claimant responded in its revised IRC that "[t]he bifurcation of the extrapolation universe may be *more representative* in terms of the calculation of the extrapolated amount, but the District still disputes the use of the sampling method for the reasons stated in the original incorrect reduction claim."⁴² The methodology results in an estimate of the amount of claimed costs that the Controller has determined to be excessive or unreasonable. The Controller states in the revised audit an estimated reduction of costs totaling \$87,177.⁴³

The claimant argues that the Controller's statistical sampling and extrapolation method is not legally supported, not correctly applied to state-mandated reimbursement, and is inappropriately error-prone and inaccurate. More specifically, claimant argues that this methodology constitutes an illegal underground regulation and does not reimburse claimant for all of its costs mandated by the state as required by article XIII B, section 6 of the California Constitution. Staff finds that

498) (emphasis added) ["Upon a pupil's initial classification as a truant, the school district shall notify..."].

⁴⁰ See Exhibit A, IRC 07-904133-I-05, page 15.

⁴¹ Exhibit B, IRC 10-904133-I-07, pages 27-28.

⁴² Exhibit B, IRC 10-904133-I-07, page 9 [Emphasis added].

⁴³ Exhibit B, IRC 10-904133-I-07, page 28.

sampling and extrapolation as a methodology to identify a dollar figure for an audit adjustment in this case is within the Controller's audit authority, is not applied generally in the manner of a regulation, provides for a reasonable estimate of unallowable costs, and is therefore 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 of the claimant's reimbursement claims constitutes an underground regulation.

Even if the Controller's audit authority under the Government Code and case law is broad enough to encompass statistical sampling and extrapolation methods, the claimant has also challenged the methodology as a regulation not adopted pursuant to the Administrative Procedure Act (APA), to which the Controller responds that the APA is "not applicable."⁴⁴ The provisions of the APA on which the claimant relies include, primarily, Government Code sections 11340.5 and 11342.600. Section 11342.600 provides a definition of "regulation," including "...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, or to govern its procedure."⁴⁵ Section 11340.5 prohibits any state agency from issuing, utilizing, enforcing, or attempting to enforce any guideline or rule that fits within the definition of "regulation" unless it has been adopted pursuant to the APA. Therefore, if the Controller's challenged audit methods constitute a regulation not adopted pursuant to the APA, the Commission cannot uphold the reductions.

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."⁴⁶

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.⁴⁷

⁴⁴ Exhibit C, Controller's Comments, page 17.

⁴⁵ Government Code section 11342.600 (Stats. 2000, ch. 1060).

⁴⁶ *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)].

⁴⁷ 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."].

In *Clovis Unified School District v. Chiang*, the court held that the Controller's contemporaneous source document rule, 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.⁴⁸ In *Grier v. Kizer* and *Union of American Physicians and Dentists v. Kizer*, the Department of Health Services has 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. 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.⁴⁹ However, the methodology was upheld once the methods had been duly adopted under the APA.

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. 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;⁵⁰ others apply a sampling and extrapolation method to determine whether the notifications issued complied with the eight required elements under amended section 48260.5;⁵¹ 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 a certain number of absences, as here.⁵²

Therefore, based on the case law discussed above, and the evidence in the record, staff 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 has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, so long as those methods do not constitute underground regulations, and the audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

⁴⁸ 188 Cal.App.4th at p. 803.

⁴⁹ *Grier v. Kizer* (1990) 219 Cal.App.3d 422; *Union of American Physicians and Dentists v. Kizer* (1990) 223 Cal.App.3d 490.

⁵⁰ 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.]

⁵¹ See, e.g., Audit of Colton Joint Unified School District, *Notification of Truancy*, fiscal years 1999-2000 through 2001-2002, issued November 26, 2003.

⁵² See, e.g., Audit of Bakersfield City School District, *Notification of Truancy*, fiscal years 2007-2008 through 2009-2010, issued October 25, 2012.

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 “[t]here is no prohibitive language contained in statute...” and that no legal authority dictates “specific auditing tests to perform...” or requires the Controller “to provide claimants ‘notice’ that the SCO will use sampling techniques.”⁵³

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. Indeed, 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.”⁵⁴ 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.”⁵⁵

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.⁵⁶ However, section 17561 also provides that the controller may audit the records of any local agency or school district to verify the amount of mandated costs, and may reduce any claim that the Controller determines is excessive or unreasonable.⁵⁷ The current provisions of section 17561 also provide for the Controller to audit “[t]he application of a reasonable reimbursement methodology...”⁵⁸ However, 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 17557.⁵⁹ There was no reference in former section 17561 with respect to auditing the application of a unit cost or uniform allowance prior to the statutory creation of a “reasonable reimbursement methodology.”⁶⁰ Thus the Controller’s audit authority pursuant to section 17561 neither expressly authorizes nor expressly prohibits an audit of a claim

⁵³ Exhibit C, Controller’s Comments, page 17.

⁵⁴ California Constitution, article XVI, section 7 (added November 5, 1974, by Proposition 8).

⁵⁵ Statutes 1968, chapter 449.

⁵⁶ California Constitution, article XIII B, section 6 (Stats. 2004, ch. 133 (SCA 4; Proposition 1A, November 2, 2004)).

⁵⁷ Former Government Code section 17561 (Stats. 2002, ch. 1124), emphasis added.

⁵⁸ As amended by Statutes 2009, 3d Extraordinary Session, chapter 4.

⁵⁹ Government Code section 17518.5 (added, Stats. 2004, ch. 890); Government Code section 17557 (as amended, Stats. 2004, ch. 890; Stats. 2007, ch. 329).

⁶⁰ Compare Government Code section 17561 (Stats. 2002, ch. 1124) with Government Code section 17561 (Stats. 2007, ch. 329).

based on a unit cost reimbursement scheme. Nor does the statute address how the Controller is to audit and verify costs mandated by the state.

Accordingly, the Controller cites to “Government Auditing Standards, as issued by the Comptroller General of the United States...” which, 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.’”⁶¹ 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.⁶²

In accordance with the Controller’s audit authority and duties under the 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 application of the method chosen is arbitrary, capricious, or entirely lacking in evidentiary support.⁶³ 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.”⁶⁴

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, the methods used by the Department of Health Services in *Grier v. Kizer* and *UAPD v. Kizer* 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.⁶⁵

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.⁶⁶ 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.”⁶⁷

⁶¹ Exhibit C, Controller’s Comments, page 17.

⁶² Exhibit X, Excerpt from Government Auditing Standards, 2003, page 13.

⁶³ *American Bd. of Cosmetic Surgery, Inc, supra*, 162 Cal.App.4th at pgs. 547-548.

⁶⁴ Exhibit A, IRC 07-904133-I-05, page 14.

⁶⁵ *Grier v. Kizer* (1990) 219 Cal.App.3d 422, 439-440; *Union of American Physicians and Dentists v. Kizer* (1990) 223 Cal.App.3d 490.

⁶⁶ See, e.g., *Bell v. Farmers Insurance Exchange* (2004) 115 Cal.App.4th 715.

⁶⁷ *County of Marin v. Martin* (1974) 43 Cal.App.3d 1, 7.

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,⁶⁸ staff finds that the Controller has the authority to audit a reimbursement claim based on statistical sampling and extrapolation and that such methods (to the extent that they do not impose an underground regulation) must be upheld 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 by the district 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 argues that "[t]he ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe." The claimant asserts that there are "several methods of compliance..." and that the Controller has made "no showing that the sample accurately reflects the relative occurrence of truancies at different grade levels." The claimant asserts, without evidence, that "the incidence of truancy in secondary schools is generally greater than elementary schools."⁶⁹ And, the claimant argues that "[l]ess than two percent of the total number of notices were audited..." and that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number exactly between \$54,154 (50%) and \$162,461 (50%)."

The claimant has presented no evidence that schools within the claimant's district complied with the mandate in different ways, which may provide evidence that the results from the sample are not representative of all notices claimed. The Commission, and the Controller, must presume that the claimant uniformly complied with the mandate, absent evidence to the contrary. Moreover, the claimant's assertion regarding the incidence of truancy in secondary schools is no longer relevant since the Controller, in the revised audit, calculated error rates for elementary and special education students separately from middle and high school students, and extrapolated (projected) a number of unallowable notifications separately for each population.⁷⁰ Furthermore, the claimant's concerns about the proportional size of the sample are unfounded, and the claimant's conclusions about the "expected error rate" are entirely mistaken.

The Controller demonstrates that the absolute size of the sample, not the relative size, is more important. 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 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"). If "two percent" were a relevant proportion with respect to the selection of sample size, we would expect sample sizes to vary widely from one population to

⁶⁸ Government Code section 12410 (Stats. 1968, ch. 449).

⁶⁹ Exhibit A, IRC 07-904133-I-05, page 15.

⁷⁰ Exhibit B, IRC 10-904133-I-07, pages 27-28.

the next (two percent of 5,049 would yield a sample of 105, while two percent of 9,531 would yield a sample of 191). Applying the formula provided by the Controller illustrates that an appropriate sample size is not so closely correlated to the size of the population; instead, a sample size of 145 to 148 is appropriate, based on the Controller's calculations, for populations ranging from 5,049 to 9,531.⁷¹

Moreover, although the record indicates an objectively wide range of accuracy in the Controller's estimated reduction, in this case, once the number of unallowable notifications in the samples are adjusted based on the Commission's findings, the range of the total extrapolated dollar amount adjustment becomes substantially smaller as well. In other words, because the Commission concludes that only approximately ten percent of the notifications that the Controller deemed unallowable were legally correct (16 out of 167), the dollar amount reduction, and its wide ranging accuracy, must narrow accordingly. The "point estimate" for the *total reduction* for three years is revised from \$87,177 to \$7,972, based on the Commission's findings. Thus, the range of the possible adjustment, formerly approximately \$52,000 wide, as stated by the Controller, can no longer be more than a few thousand dollars in excess of or below the estimated adjustment. Using the Controller's formula, provided in Tab 3 of Exhibit C, page 31, the approximate range of adjustment based on the reinstatement as described, is \$5,916 above or below the new "point estimate" of \$7,972, or \$2,056 to \$13,888.

Finally, due to the volume of notifications that the school district issues in each year (45,785 notices were issued by the claimant during the audit period), and the objectively small transaction cost (i.e., the unit cost value of reimbursement for each of those notifications, ranging from \$12.23-\$12.91 during the audit period), the Controller's use of sampling and extrapolation to audit whether the notifications were issued properly and supported by the claimant's attendance records is not unreasonable. Therefore, the Controller's showing that its method is statistically significant and mathematically valid is sufficient.

Based on the foregoing, staff finds that there is no evidence in the record that the Controller's sampling and extrapolation methodology is arbitrary, capricious, or entirely lacking in evidentiary support.

Conclusion

Pursuant to Government Code section 17551(d) and section 1185.7 of the Commission's regulations, staff concludes that reductions of costs claimed for notifications issued to pupils who accumulated three but not four absences or instances of tardiness are incorrect as a matter of law, and are arbitrary, capricious, or entirely lacking in evidentiary support. In addition, staff concludes that the Controller's sampling and extrapolation method for estimating the appropriate amount of reduction is not incorrect as a matter of law, and is not arbitrary, capricious, or entirely lacking in evidentiary support. Therefore, staff finds that those notifications sampled which were disallowed because pupils had accumulated fewer than three absences may be extrapolated to project a number of unallowable notifications, and to estimate a reduction, for the entire audit period.

Staff Recommendation

⁷¹ Exhibit C, Controller's Comments, pages 21-22.

Staff recommends that the Commission adopt the proposed decision to partially approve the IRC, and, pursuant to section 1185.9 of the Commission's regulations, to request that the Controller reinstate \$23,030 for fiscal year 1999-2000, \$25,294 for fiscal year 2000-2001, and \$30,881 for fiscal year 2001-2002. Staff further recommends that the Commission authorize staff to make any technical, non-substantive changes following the hearing.

BEFORE THE
COMMISSION ON STATE MANDATES
STATE OF CALIFORNIA

IN RE INCORRECT REDUCTION CLAIM
ON:

Education Code Section 48260.5

Statutes 1983, Chapter 498

Fiscal Years 1999-2000, 2000-2001, and
2001-2002

San Juan Unified School District, Claimant.

Case No.: 07-904133-I-05 and
10-904133-I-07

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: September 25, 2015)

DECISION

The Commission on State Mandates (Commission) heard and decided this consolidated incorrect reduction claim (IRC) during a regularly scheduled hearing on September 25, 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 San Juan Unified School District for fiscal years 1999-2000 through 2001-2002, for the *Notification of Truancy* program.

The Controller reduced costs claimed for each of the three audit years based on its interpretation that the parameters and guidelines require an initial truancy notification to be issued upon a pupil's fourth absence or instance of tardiness. However, the definition of "truant" was never found to impose a reimbursable activity and an intervening amendment to the Education Code altered the underlying definition of truancy and thus the timing of the requirement to issue an initial truancy notification: during the audit period a school district was required to issue an initial notification of truancy upon a pupil's *third* absence or instance of tardiness. The Commission finds that this intervening amendment was not made to a previously-approved code section, and does not impose a new program or higher level of service since it does not require any activity but only changes the trigger for the performance of the mandated activity. This

interpretation is also consistent with the fact that Education Code section 48260 was found not to impose any mandated activities and was therefore not listed as a reimbursable activity in the Reimbursable Costs section and that when the parameters and guidelines were amended at the direction of the Legislature, the reimbursable unit cost did not increase. For these reasons, the Commission finds that the Controller's reduction of costs claimed for pupils who accumulated three absences but not four is incorrect as a matter of law.

In addition, the Controller, in each of the audit years, examined a small sample of the total initial truancy notifications issued, and determined an error rate within that sample of notifications that were unallowable, which was then extrapolated to the whole. The Commission finds, as explained herein, that this sampling and extrapolation method is not prohibited by any law or regulation on point; is not itself a regulation, within the meaning of the Administrative Procedure Act (APA); and results in a reasonable estimate of claimant's actual unallowable costs. Therefore, the Commission finds that the methodology, as applied in this case, to estimate a reduction for the audit period based on notifications correctly disallowed is not arbitrary, capricious or entirely lacking in evidentiary support.

The Commission partially approves the IRC, as described above, and pursuant to section 1185.9 of the Commission's regulations, requests that the Controller reinstate \$23,030 for fiscal year 1999-2000, \$25,294 for fiscal year 2000-2001, and \$30,881 for fiscal year 2001-2002.

COMMISSION FINDINGS

I. Chronology

01/11/2001	Claimant signed its fiscal year 1999-2000 reimbursement claim. ⁷²
03/05/2003	The entrance conference for the audit of all three fiscal years was held. ⁷³
12/30/2004	The Controller issued the final audit report. ⁷⁴
12/17/2007	Claimant filed IRC 07-904133-I-05. ⁷⁵
11/25/2009	The Controller issued a revised audit report. ⁷⁶
07/16/2010	The Claimant filed a revised IRC, 10-904133-I-07. ⁷⁷
10/03/2014	The Controller filed comments on the IRCs. ⁷⁸

⁷² Exhibit A, IRC 07-904133-I-05, page 81.

⁷³ Exhibit C, Controller's Comments on IRC, pages 5; 27.

⁷⁴ Exhibit A, IRC 07-904133-I-05, page 19.

⁷⁵ Exhibit A, IRC 07-904133-I-05, page 1.

⁷⁶ See Exhibit B, IRC 10-904133-I-07, pages 8; 20.

⁷⁷ Exhibit B, IRC 10-904133-I-07, page 1.

⁷⁸ Exhibit C, Controller's Comments.

07/31/2015 Commission staff issued the draft proposed decision.⁷⁹

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.⁸⁰ Once a pupil is designated a truant, as defined, state law requires schools, districts, counties, and the 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.⁸¹ As originally enacted, section 48260.5 specified:

§ 48260.5. Notice to parent or guardian; alternative educational 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 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

⁷⁹ Exhibit D, Draft Proposed Decision.

⁸⁰ Education Code section 48200.

⁸¹ Education Code section 48260.5, Statutes 1983, chapter 498.

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.⁸²

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 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 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.”⁸³ These are the parameters and guidelines applicable to this claim.⁸⁴

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 19.⁸⁵ 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 December 30, 2004 audit report determined that \$470,268 in claimed costs was allowable and \$108,442 was unallowable.⁸⁶ The Controller found 11 truancy notifications that were not supported by attendance records, totaling \$135, for fiscal year 1999-2000, however, these 11 notifications are not the subject of this IRC. In addition, the Controller found that the district claimed \$108,307 during the audit period for initial truancy notifications that the Controller determined were not reimbursable, because “pupils did not accumulate the required number of

⁸² Exhibit X, Brief Written Statement for Adopted Mandate issued by the Board of Control on the *Notification of Truancy* test claim (SB 90-4133).

⁸³Exhibit A, IRC, page 69.

⁸⁴ The parameters and guidelines as amended in 2008 are not applicable to this IRC.

⁸⁵ Exhibit X, Controller’s Letter dated July 17, 2007 on AB 1698.

⁸⁶ Exhibit A, IRC 07-904133-I-05, page 51.

unexcused absences to be classified as truant under the mandate program.”⁸⁷ The Controller reached the dollar amount reduced by sampling approximately 300 initial truancy notifications in each audit year, out of approximately 14,400 to 16,800 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. For fiscal year 1999-2000, the Controller found 57 notifications unallowable “because they were issued to pupils who did not have four or more unexcused absences during the entire school year.” Of those, “6 were issued to pupils who had fewer than three unexcused absences during the entire school year.”⁸⁸ Similar findings are made with respect to fiscal years 2000-2001 and 2001-2002. The Controller thus relied on the former definition of truancy, which was included in the Summary of Mandate section of the parameters and guidelines but was never found to impose a mandated activity, to determine whether individual cases are reimbursable, and extrapolated that error rate to determine the amount of the reduction.

In the revised audit, issued November 25, 2009, the Controller continues to rely on the former definition of truancy, and to hold initial notifications of truancy not based on four or more absences to be non-reimbursable.⁸⁹ However, the Controller recalculated its sampling and extrapolation:

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 the 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 \$21,130.⁹⁰

The revised audit report states that the Controller sampled notifications for 146 elementary and special education students for fiscal years 1999-2000 and 2000-2001 and 147 for fiscal year 2001-2002. For middle and high school students, the Controller sampled 148 notifications for each of the three fiscal years. For fiscal year 1999-2000, the Controller found 52 unallowable notifications for elementary and special education students, and five unallowable notifications for middle and high school students. Those unallowable notices were issued to pupils who did not accumulate *four or more* unexcused absences “during the entire school year”, and six of those, one for a middle or high school student, and five for elementary or special education students, were issued to “pupils who had fewer than three unexcused absences during the entire

⁸⁷ Exhibit A, IRC 07-904133-I-05, page 53.

⁸⁸ Exhibit A, IRC 07-904133-I-05, page 54.

⁸⁹ The finding regarding 11 notifications of truancy that were not supported by attendance records for fiscal year 1999-2000 is unchanged.

⁹⁰ Exhibit B, IRC 10-904133-I-07, page 25 [emphasis added].

school year.” Similar findings were made with respect to fiscal years 2000-2001 and 2001-2002.⁹¹ The number of unallowable notifications within each sample for each fiscal year was then calculated as an error percentage, and extrapolated to the total number of notifications issued by the claimant for middle and high school students, and elementary and special education students, respectively, to approximate the total number of unallowable notifications issued, which was then multiplied by the unit cost for that year.

III. Positions of the Parties

San Juan Unified School District

The claimant does not dispute the Controller’s finding with respect to the 11 notifications of truancy that are not supported by attendance records and this reduction is not the subject of this IRC.⁹² However, the claimant notes that the audit report recognizes the inconsistency between the definition of truant included in the parameters and guidelines (four or more absences) and the Education Code, as amended in 1994 and 1995 (three or more unexcused absence or instances of tardiness, or any combination thereof). The claimant argues:

Attendance accounting is controlled by the Education Code. The District complied with the Education Code as amended after the parameters and guidelines, and the parameters and guidelines, which as quasi-regulations, are inferior to the Code...The truanancies were recorded and the notices were distributed, therefore actual costs were incurred, and the audit report does not state that the work was not performed.⁹³

The claimant further argues, with respect to the Controller’s sampling and extrapolation methodology, that “findings from the review of less than two percent of the total number of notices are extrapolated to the total number of notices claimed and the annual reimbursement claims adjusted based on the extrapolation.” The claimant argues that the validity of the Controller’s methodology “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 883 notifications used in the audit report.”⁹⁴

The claimant concedes that “[a] statistically valid sample methodology is a recognized audit tool for some purposes.” However, the claimant argues 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.”⁹⁵

Moreover, the claimant attacks the quantitative validity of the Controller’s methods:

⁹¹ Exhibit B, IRC 10-904133-I-07, pages 27-28.

⁹² Exhibit A, IRC 07-904133-I-05, page 7.

⁹³ Exhibit A, IRC 07-904133-I-05, page 12.

⁹⁴ Exhibit A, IRC 07-904133-I-05, page 13.

⁹⁵ Exhibit A, IRC 07-904133-I-05, page 14.

For the three fiscal years, the Controller determined that there were 45,785 notices distributed by the District. The total sample size for the three years was 883 notices, 294 notices per year for fiscal years 1999-00 and 2000-01, and 295 notices per year for fiscal year 2001-02. Less than two percent of the total number of notices were audited (1.93%). The number of notices sent by one school would be about 1.43% of the total notices. The stated precision rate was plus or minus 8%, even though the sample size was nearly identical for all three fiscal years, and even though the audited number of notices claimed in FY 2000-01 (14,413) is 14% smaller than the size of FY 2001-02 (16,792). The expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number exactly between \$54,154 (50%) and \$162,461 (150%). An "interval" cannot be used as a finding of actual cost. Nor can be the midrange amount.⁹⁶

The claimant thus concludes that “[s]ince the statistical sampling performed by the auditor fails for legal, qualitative, and quantitative reasons, the remaining revised audit findings are limited to the 883 notices in the audit report that were actually investigated.”⁹⁷

State Controller’s Office

In its revised audit report, the Controller conceded that its extrapolation was not accurate, because it did not calculate error rates for elementary and special education students separately from middle and high school students, for which group the error rates were significantly lower. The correction resulted in an increase in allowable costs, totaling \$21,130 over the audit period.⁹⁸

However, with respect to the merits of the reduction itself, the Controller argues that “[t]he parameters and guidelines as adopted on July 22, 1993, are the applicable audit criteria for the purposes of this audit.”⁹⁹ The Controller acknowledges the amendment to Education Code section 48260, but argues that the parameters and guidelines in effect during the audit period “define what is reimbursable...” The Controller therefore reasons:

While the legal requirements governing school districts originate in the Education Code, there is no language in the Education Code authorizing school districts to file reimbursement claims with the State for mandated costs incurred or language setting forth the method by which to claim these costs. The right to reimbursement and the method to claim reimbursement are set forth in the parameters and guidelines, adopted by the CSM. The district must comply with the requirements of these criteria to claim reimbursement for mandated costs incurred.¹⁰⁰

⁹⁶ Exhibit A, IRC 07-904133-I-05, page 16.

⁹⁷ Exhibit A, IRC 07-904133-I-05, pages 16-17.

⁹⁸ Exhibit B, IRC 10-904133-I-07, page 27. See also, Exhibit C, Controller’s Comments, page 7.

⁹⁹ Exhibit C, Controller’s Comments, page 11.

¹⁰⁰ Exhibit C, Controller’s Comments, page 16.

In response to the claimant's challenge to the statistical sampling methodology, the Controller states that there is nothing in the Government Code that prohibits sampling, and "the parameters and guidelines do not specify the methodology the SCO must use to validate program compliance."¹⁰¹ The Controller argues that the audit was conducted in accordance with Government Auditing Standards, and that those standards allow auditors to "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.'"¹⁰² In addition, the Controller notes that the auditing standards state: "statistical methods may be used to establish sufficiency."¹⁰³

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 SCO 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 SCO 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 6.¹⁰⁴ 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."¹⁰⁵

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

¹⁰¹ Exhibit C, Controller's Comments, page 17.

¹⁰² Exhibit C, Controller's Comments, page 17 [citing Government Auditing Standards, Section 3.35, 2003 Revision, United States General Accounting Office].

¹⁰³ Exhibit C, Controller's Comments, page 17.

¹⁰⁴ *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

¹⁰⁵ *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.

fiscal year for which the claim is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.¹¹⁰

Based only upon the plain language of this section, the earliest claim in issue, fiscal year 1999-2000, filed January 11, 2001, would be “subject to audit” until the end of the calendar year 2003. The Commission finds that “subject to audit” does not require the completion of an audit before the end of the calendar year; initiating an audit before the expiration of that period is sufficient. This interpretation is supported by reading the two sentences above together, and interpreting them in a manner that seeks to harmonize the provisions. The second sentence provides that if no funds are appropriated for a program, the *time to initiate an audit* will be tolled until the initial payment; however, the second sentence does not state what that time frame should be, but relies on the “two years after the end of the calendar year” of the first sentence. In relying on the time period defined in the first sentence, the second sentence clearly states that the tolling shall affect “the time for the Controller to initiate an audit”. There is no reason in law or in the record of this IRC to interpret “subject to audit” in the first sentence to mean something other than “the time for the Controller to initiate an audit”.

Additionally, the interpretation that “subject to audit” means the time to initiate an audit is further supported by the clarifying amendment made by Statutes 2002, chapter 1128, which provides:

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 ~~two-three~~ years after the ~~end of the calendar year in which 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 ~~made-filed~~, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.¹¹¹

Moreover, the period provided under the prior statute was open until December 31, 2003, and this amendment was effective January 1, 2003. Because the amendment expanded the statutory period while the audit at issue in this matter was still pending, the Controller receives the benefit of the additional time.¹¹² Therefore, based on the plain language as amended in 2002 (effective

¹¹⁰ Government Code section 17558.5 (Stats. 1995, ch. 945 (SB 11)) [emphasis added].

¹¹¹ Government Code section 17558.5 (Stats. 2002, ch. 1128 (AB 2834)).

¹¹² In *Douglas Aircraft v. Cranston* (1962) 58 Cal.2d 462, 465, the court stated the general rule as follows:

The extension of the statutory period within which an action must be brought is generally held to be valid if made before the cause of action is barred. (*Weldon v. Rogers*, 151 Cal. 432.) The party claiming to be adversely affected is deemed to suffer no injury where he was under an obligation to pay before the period was lengthened. This is on the theory that the legislation affects only the remedy and not a right. (*Mudd v. McColgan*, 30 Cal.2d 463; *Davis & McMillan v. Industrial Acc. Com.*, 198 Cal. 631; 31 Cal.Jur.2d 434.) An enlargement of the limitation

January 1, 2003), the reimbursement claims in issue would be “*subject to the initiation of an audit*” until three years after the claims were filed, or January 11, 2004, for the 1999-2000 reimbursement claim. Because an entrance conference was held March 5, 2003, the audit was initiated prior to the running of the statutory period, under either the 1995 version of section 17558.5, or as amended in 2002, and the audit was therefore timely initiated.¹¹³

The only reading of these facts and of section 17558.5 that could bar the subject audits would be to hold that section 17558.5 requires an audit to be *completed* within two years of filing, in which case the final audit report issued December 30, 2004 would be barred. This is the interpretation urged by the claimant, but this reading of the code is not supported by the plain language of the statute, as explained above. At the time the costs were *incurred* in this case, section 17558.5 did not expressly fix the time during which an audit must be completed. Nevertheless, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.¹¹⁴ However, here the audit report was issued December 30, 2004, approximately sixteen and one-half months after the initiation date. Thus, there is no evidence of an unreasonable delay in the completion of the audit.

Based on the foregoing, the Commission finds that the final audit of the subject reimbursement claims was both timely initiated and timely completed, and is not barred by section 17558.5.

2. *The Revised Audit Issued November 25, 2009 Was Issued Beyond the Deadline Imposed by Section 17558.5, but May Be Considered by the Commission to the Extent that it Narrows the Issues in Dispute or Makes Concessions to the Claimant.*

Statutes 2004, chapter 890 (AB 2856) amended Government Code section 17558.5, to provide that “[i]n any case, an audit *shall be completed* not later than two years after the date that the audit is commenced.” Applying the amended section to the date of initiation, *no later than* the March 5, 2003 entrance conference, means a timely audit would be required to be completed by March 5, 2005 at the latest.

The courts of this state have held that “[i]t is settled that the Legislature may enact a statute of limitations ‘applicable to existing causes of action or shorten a former limitation period if the

period by the Legislature has been held to be proper in cases where the period had not run against a corporation for additional franchise taxes (*Edison Calif. Stores, Inc. v. McColgan*, 30 Cal.2d 472), against an individual for personal income taxes (*Mudd v. McColgan, supra*, 30 Cal.2d 463), and against a judgment debtor (*Weldon v. Rogers, supra*, 151 Cal. 432). It has been held that unless the statute expressly provides to the contrary any such enlargement applies to matters pending but not already barred. (*Mudd v. McColgan, supra*, 30 Cal.2d 463.)

¹¹³ See Exhibit C, Controller’s Comments, page 27.

¹¹⁴ *Cedar-Sinai Medical Center v. Shewry* (2006) 137 Cal.App.4th 964, 985-986.

time allowed to commence the action is reasonable.”¹¹⁵ The courts have held that “[a] party does not have a vested right in the time for the commencement of an action.”¹¹⁶ And neither “does he have a vested right in the running of the statute of limitations prior to its expiration.”¹¹⁷ A statute of limitation is “within the jurisdictional power of the legislature of a state,” and therefore may be altered or amended at the Legislature’s prerogative.¹¹⁸ However, “[t]here is, of course, one important qualification to the rule: where the change in remedy, as, for example, the shortening of a time limit provision, is made retroactive, there must be a reasonable time permitted for the party affected to avail himself of his remedy before the statute takes effect.”¹¹⁹ If a statute “operates immediately to cut off the existing remedy, or within so short a time as to give the party no reasonable opportunity to exercise his remedy, then the retroactive application of it is unconstitutional as to such party.”¹²⁰ In other words, a party has no more vested right to the time remaining on a statute of limitation than the opposing party has to the swift expiration of the statute, but if a statute is newly imposed or shortened, due process demands that a party must be granted a reasonable time to vindicate an existing claim before it is barred. The California Supreme Court has held that approximately one year is more than sufficient, but has cited to decisions in other jurisdictions providing as little as thirty days.¹²¹

However, with respect to state agencies’ rights and powers, *California Employment Stabilization Commission v. Payne*¹²² held:

This principle, however, does not apply where the state gives up a right previously possessed by it or by one of its agencies. Except where such an agency is given powers by the Constitution, it derives its authority from the Legislature, which may add to or take away from those powers and therefore a

¹¹⁵ *Scheas v. Robertson* (1951) 38 Cal.2d 119, 126 [citing *Mercury Herald v. Moore* (1943) 22 Cal.2d 269, 275; *Security-First National Bank v. Sartori* (1939) 34 Cal.App.2d 408, 414].

¹¹⁶ *Liptak v. Diane Apartments, Inc.* (1980) 109 Cal.App.3d 762, 773 [citing *Kerchoff-Cuzner Mill and Lumber Company v. Olmstead* (1890) 85 Cal. 80].

¹¹⁷ *Liptak, supra*, at p. 773 [citing *Mudd v. McColgan* (1947) 30 Cal.2d 463, 468].

¹¹⁸ *Scheas, supra*, at p. 126 [citing *Saranac Land & Timber Co v. Comptroller of New York*, 177 U.S. 318, at p. 324].

¹¹⁹ *Rosefield Packing Company v. Superior Court of the City and County of San Francisco* (1935) 4 Cal.2d 120, 122.

¹²⁰ *Rosefield Packing Co., supra*, at pp. 122-123.

¹²¹ See *Rosefield Packing Co., supra*, at p. 123 [“The plaintiff, therefore, had practically an entire year to bring his case to trial...”]; *Kerchoff-Cuzner Mill and Lumber Company v. Olmstead* (1890) 85 Cal. 80 [thirty days to file a lien on real property]. See also *Kozisek v. Brigham* (Minn. 1926) 169 Minn. 57, 61 [three months].

¹²² (1947) 31 Cal.2d 210.

statute which adversely affects only the right of the state is not invalid merely because it operates to cut off an existing remedy of an agency of the state.¹²³

Thus, the Controller's authority to audit is subject to limitation by the Legislature, even to the extent that the authority may be unexpectedly cut off.

Here, the Controller's audit of the relevant claim years was "commenced," within the meaning of section 17558.5, no later than March 5, 2003, when the entrance conference was held. The amendment to section 17558.5 that imposed the two year completion requirement became effective January 1, 2005.¹²⁴ Therefore, a timely audit must be completed by March 5, 2005 at the latest, and the Controller had over two months' notice of the requirement to complete the audit within two years. Based on the case law described above, two months' notice to complete the audit is sufficient, and the Legislature's action cutting off the Controller's power to effectively audit must be upheld. As explained above, the original "final" audit report was timely, being issued December 30, 2004. However, the revised audit report, *modifying the original* "final" audit report, was issued on November 25, 2009, approximately six years and eight months after the audit was initiated. It therefore falls outside the statutory two year completion requirement imposed by section 17558.5, as amended by Statutes 2004, chapter 890.

The Commission notes that the revised audit report states that it recalculated the extrapolated error rates, and increased allowable costs, in part as a response to the claimant's filing of this IRC. Although the revised audit is beyond the deadlines imposed by 17558.5, the Commission may take official notice¹²⁵ of the revised audit report, to the extent that the revised audit report narrows the issues in dispute or mitigates the amount of reductions originally asserted by the Controller.

Based on the foregoing, the Commission finds that the revised audit report issued November 25, 2009 was not completed within the deadline required by section 17558.5, but may be considered by the Commission to the extent that it narrows the issues in dispute or makes concessions to the claimant with respect to its allegations in the IRC.

B. The Controller's Reduction Based on the Former Definition of Truant Is Inconsistent with the Education Code, and Is Incorrect as a Matter of Law, but Reductions Based on the Current Definition of Truant Are Correct as a Matter of Law and Not Arbitrary, Capricious or Entirely Lacking in Evidentiary Support.

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."¹²⁶ As originally adopted, and as amended July 22, 1993, the

¹²³ *Id.*, at p. 215.

¹²⁴ The precise date of initiation is not determined in this analysis since it is unnecessary to the determination that the first audit was timely initiated and completed and the second audit was not.

¹²⁵ Code of Regulations, title 2, section 1187.5(c) ["Official notice may be taken in the manner and of the information described in Government Code section 11515."].

¹²⁶ Exhibit A, IRC 07-904133-I-05, page 33.

parameters and guidelines 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).¹²⁷

Subsequent to the adoption and 1993 amendment of parameters and guidelines for this program, section 48260 was amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102) to provide that a pupil who is absent or tardy from school without valid excuse “*on three occasions* in on school year” is a truant. Therefore during the fiscal years here at issue section 48260 stated:

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.¹²⁸

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. Accordingly, the section 48260 definition of truancy was not included as a reimbursable activity under the “Reimbursable Costs” section of the parameters and guidelines and the unit cost for sending notices was not increased when that definition was later updated to reflect current law in a 2008 amendment to the parameters and guidelines.

The 1994 statute also changed the content of the notice required by the test claim statute (Education Code section 48260.5) 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.”¹²⁹ The parameters and guidelines were 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. The amendments were made expressly retroactive to July 1, 2006, in accordance with the Legislature’s direction.¹³⁰

¹²⁷ See Exhibit C, Controller’s Comments, page 9 [emphasis added].

¹²⁸ Former Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)).

¹²⁹ Education Code section 48260.5 (as amended, Stats. 1994, ch. 1023 (SB 1728))

¹³⁰ 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

Based on the analysis herein, the Commission finds that the Controller's reductions of costs claimed for notifications issued upon a pupil's third absence or instance of tardiness are incorrect as a matter of law. However, the Commission also finds that reductions for notifications issued for pupils that did not accumulate three absences or instances of tardiness are correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

1. Reductions based on pupils who accumulated three, but not four, absences or instances of tardiness are incorrect as a matter of law.

The dispositive issue in this IRC is whether the Controller may reduce costs claimed for a mandated program which has not changed (to provided notices) based upon an obsolete definition included in the parameters and guidelines which the Board of Control and the Commission never found to impose the mandate in the first instance.

As explained above, when Education Code section 48260 was amended in 1994 and 1995, it 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 trigger 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 code and language included in the parameters and guidelines were at odds. In 2007, the Legislature acted to correct the problem 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."¹³¹ 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."¹³²

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 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; 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

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.

¹³¹ Exhibit X, Assembly Bill 1698 (2007), Education Committee Analysis.

¹³² Exhibit X, Assembly Bill 1698 (2007), Education Committee Analysis.

mandatory.¹³³ 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 reasonably 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.”¹³⁴ 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, 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 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 three or more unexcused instances of tardiness or absence are incorrect as a matter of law.

Based on the foregoing, the Commission finds that reductions based on pupils who accumulated three absences or instances of tardiness are incorrect as a matter of law. All costs reduced on this basis should be reinstated to the claimant.

2. 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.

The Controller also found that a small portion of the notifications claimed were issued for students who did not accumulate even *three* absences or instances of tardiness. In those cases, the pupils at issue did not meet the *amended* definition of a truant under the Education Code, and the claimant’s issuance of a notification was not mandated by the state.

The revised audit report states that for fiscal year 1999-2000, of the 294 notifications sampled, one was issued to a middle or high school student, and five to elementary or special education students who had fewer than three unexcused absences or instances of tardiness during the school year. For fiscal year 2000-2001, of 294 notifications sampled, one was issued to a middle or high school student, and eight to elementary or special education students who had fewer than

¹³³ 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.

¹³⁴ Exhibit C, Controller’s Comments, page 11.

three unexcused absences or instances of tardiness. And for fiscal year 2001-2002, of 295 notifications sampled, only one was issued to a student (an elementary or special education student) who had fewer than three unexcused absences or instances of tardiness.¹³⁵ Therefore, during the audit period, and within the sample of notifications examined by the Controller, 16 initial notifications were sent for pupils who did not accumulate three absences during the school year.

As discussed above, Education Code section 48260, during the fiscal years here at issue, provided:

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.¹³⁶

Section 48260.5, as approved by the Board of Control's test claim decision, and as described in the Commission's 1993 parameters and guidelines, requires a school district to issue a notification of truancy "by first-class mail or other reasonable means" to the pupil's parent or guardian "upon a pupil's initial classification as a truant..."¹³⁷

Therefore, 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, 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, and not arbitrary, capricious, or entirely lacking in evidentiary support.

C. The Controller's Reductions Based on Statistical Sampling and Extrapolation Are not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

In its audit, the Controller examined a random sample of notices issued by the claimant, for each fiscal year, to determine the proportion of notifications that were unallowable for the Controller's asserted legal reasons. 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 claimant, to project a total number of unallowable notifications, which was then multiplied by the unit cost for that year to estimate the reduction. In the final audit report, a single error rate was calculated for all K-12 and special education

¹³⁵ Exhibit B, IRC 10-904133-I-07, page 28.

¹³⁶ Former Education Code section 48260 (as amended, Stats. 1995, ch. 19 (SB 102)).

¹³⁷ 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..."].

students, which the claimant challenged as non-representative, due to the claimant's assertion that "the incidence of truancy in secondary schools is generally greater than elementary schools."¹³⁸ Therefore, in its revised audit, the Controller calculated error rates for elementary and special education students separately from middle and high school students, and extrapolated (projected) a number of unallowable notifications separately for each population.¹³⁹ The claimant responded in its revised IRC that "[t]he bifurcation of the extrapolation universe may be *more representative* in terms of the calculation of the extrapolated amount, but the District still disputes the use of the sampling method for the reasons stated in the original incorrect reduction claim."¹⁴⁰

The methodology results in an estimate of the amount of claimed costs that the Controller has determined to be excessive or unreasonable. The Controller states that "the point estimate provides the best, and thus reasonable, single estimate of the population's error rate."¹⁴¹ In the revised audit that estimate totals \$87,177 for all fiscal years.¹⁴² 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."¹⁴³

The claimant argues that the Controller's statistical sampling and extrapolation method is not legally supported, not correctly applied to state-mandated reimbursement, and is inappropriately error-prone and inaccurate. The claimant further argues that "[t]he propriety of a mandate audit adjustment based on the statistical sampling technique 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 883 notifications used in the audit report."¹⁴⁴ The claimant further 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."¹⁴⁵ The claimant argues that "[l]ess than two percent of the total number of notices were audited..." and that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number

¹³⁸ See Exhibit A, IRC 07-904133-I-05, page 15.

¹³⁹ Exhibit B, IRC 10-904133-I-07, pages 27-28.

¹⁴⁰ Exhibit B, IRC 10-904133-I-07, page 9 [Emphasis added].

¹⁴¹ Exhibit C, Controller's Comments, page 22.

¹⁴² Exhibit B, IRC 10-904133-I-07, page 28.

¹⁴³ Exhibit C, Controller's Comments, page 17.

¹⁴⁴ Exhibit A, IRC 07-904133-I-05, page 13.

¹⁴⁵ Exhibit A, IRC 07-904133-I-05, page 14.

exactly between \$54,154 (50%) and \$162,461 (50%).”¹⁴⁶ And, the claimant challenges the Controller’s failure to adopt the methodology as a regulation pursuant to the Administrative Procedure Act (APA).¹⁴⁷

Based on the analysis herein, the Commission finds that sampling and extrapolation as a methodology to identify a dollar figure for an audit adjustment in this case is within the Controller’s audit authority, is not applied generally in the manner of a regulation, and provides for a reasonable estimate of unallowable costs, and is therefore 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 of the claimant’s reimbursement claims constitutes an underground regulation.

Even if the Controller’s audit authority under the Government Code and case law is broad enough to encompass statistical sampling and extrapolation methods, the claimant has also challenged the methodology as a regulation not adopted pursuant to the APA, to which the Controller responds that the APA is “not applicable.”¹⁴⁸ 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.¹⁴⁹

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, or to govern its procedure.”¹⁵⁰ 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

¹⁴⁶ Exhibit A, IRC 07-904133-I-05, page 16 [These figures are based on the reduction taken in the first final audit report, in the amount of \$108,307, which was revised to \$87,117 in the revised audit report].

¹⁴⁷ Exhibit A, IRC 07-904133-I-05, pages 13-17.

¹⁴⁸ Exhibit C, Controller’s Comments, page 17.

¹⁴⁹ Government Code section 11340.5 (Stats. 2000, ch. 1060).

¹⁵⁰ Government Code section 11342.600 (Stats. 2000, ch. 1060).

must “implement, interpret, or make specific the law enforced or administered by [the agency], or ... govern [the agency's] procedure.”¹⁵¹

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 perhaps that meets the standard of a rule applied “generally, rather than in a specific case.”¹⁵² On the other hand, if statistical sampling and extrapolation is only one of an auditor’s tools, and happens to be the most practical method for auditing claims involving a unit cost and many thousands of units claimed, and it is within the discretion of each auditor to use the challenged methods, then the APA does not bar the exercise of that discretion.¹⁵³

In *Clovis Unified School District v. Chiang*, the court held that the Controller’s contemporaneous source document rule, 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.¹⁵⁴ 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.¹⁵⁵ 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.¹⁵⁶

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

¹⁵¹ *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)].

¹⁵² *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571.

¹⁵³ 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.”].

¹⁵⁴ 188 Cal.App.4th at p. 803.

¹⁵⁵ 188 Cal.App.4th at pp. 803-805.

¹⁵⁶ *Id.*, at p. 805.

the APA. In *Grier v. Kizer*¹⁵⁷ and *Union of American Physicians and Dentists v. Kizer*,¹⁵⁸ (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.”¹⁵⁹ 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.”¹⁶⁰ 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.”¹⁶¹ 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.¹⁶² 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.¹⁶³ 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.¹⁶⁴

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 Administrative Procedures Act [sic] is not applicable.” But that argument essentially rests on the theory that the auditors acted appropriately, and therefore the APA could not have been violated. This conclusion is does not follow. Looking no further than *Clovis Unified*, and especially in

¹⁵⁷ (1990) 219 Cal.App.3d 422.

¹⁵⁸ (1990) 223 Cal.App.3d 490.

¹⁵⁹ *Id.*, at page 495.

¹⁶⁰ *Id.*, at p. 435.

¹⁶¹ *Id.*, at pp. 438-439.

¹⁶² *Id.*, at pp. 438-439.

¹⁶³ *Union of American Physicians and Dentists, supra*, 223 Cal.App.3d at pp. 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)]. .

¹⁶⁴ 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).

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.”¹⁶⁵ And in *Clovis Unified, supra*, 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.”¹⁶⁶

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. 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;¹⁶⁷ others apply a sampling and extrapolation method to determine whether the notifications issued complied with the eight required elements under section 48260.5;¹⁶⁸ 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.¹⁶⁹

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 has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, so long as those methods do not constitute underground regulations, and the audit conclusions must be upheld absent evidence that

¹⁶⁵ *Tidewater, supra*, 14 Cal.4th 557, 571.

¹⁶⁶ 188 Cal.App.4th at p. 803.

¹⁶⁷ 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.]

¹⁶⁸ See, e.g., Audit of Colton Joint Unified School District, *Notification of Truancy*, fiscal years 1999-2000 through 2001-2002, issued November 26, 2003.

¹⁶⁹ See, e.g., Audit of Bakersfield City School District, *Notification of Truancy*, fiscal years 2007-2008 through 2009-2010, issued October 25, 2012

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 “[t]here is no prohibitive language contained in statute...” and that no legal authority dictates “specific auditing tests to perform...” or requires the Controller “to provide claimants ‘notice’ that the SCO will use sampling techniques.”¹⁷⁰ In addition, the Controller relies on “Government Auditing Standards, as issued by the Comptroller General of the United States” to argue that sampling and extrapolation techniques are within accepted practice for auditors. The Controller asserts that “[t]hese audit standards 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.’”¹⁷¹ The Controller states that the Government Auditing Standards provide that “statistical methods may be used to establish sufficiency” of evidence supporting audit findings.¹⁷² Furthermore, the Controller relies on Government Code section 17561, which permits the Controller generally 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.”¹⁷³

Based on the analysis herein, the Commission finds that Controller has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, and the 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. Indeed, 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.”¹⁷⁴ 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.”¹⁷⁵

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...”

¹⁷⁰ Exhibit C, Controller's Comments, page 17.

¹⁷¹ Exhibit C, Controller's Comments, page 17.

¹⁷² Exhibit C, Controller's Comments, page 17.

¹⁷³ Exhibit C, Controller's Comments, page 17 [emphasis in original].

¹⁷⁴ California Constitution, article XVI, section 7 (added November 5, 1974, by Proposition 8).

¹⁷⁵ Statutes 1968, chapter 449.

whenever the Legislature or a state agency mandates a new program or higher level of service.¹⁷⁶ 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...” However, section 17561 also provided, at the time the audit of the subject claims began (i.e., 2003-2004), 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, 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.¹⁷⁷

The current provisions of section 17561 also provide for the Controller to audit “[t]he application of a reasonable reimbursement methodology....”¹⁷⁸ However, 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;¹⁷⁹ and the former section, quoted above, provided for an audit to “verify the actual amount of the mandated costs,” and to “reduce any claim that the Controller determines is excessive or unreasonable.”¹⁸⁰ There was no reference in section 17561 to auditing the application of a unit cost or uniform allowance prior to the statutory creation of a “reasonable reimbursement methodology.”¹⁸¹ Thus the Controller’s audit authority pursuant to section 17561 neither expressly authorizes nor expressly prohibits an audit of a claim based on a unit cost reimbursement scheme. Nor does the statute address how the Controller is to audit and verify costs mandated by the state.

Accordingly, the Controller cites to “Government Auditing Standards, as issued by the Comptroller General of the United States.” “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.’”¹⁸² 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

¹⁷⁶ California Constitution, article XIII B, section 6 (Stats. 2004, ch. 133 (SCA 4; Proposition 1A, November 2, 2004)).

¹⁷⁷ Former Government Code section 17561 (Stats. 2002, ch. 1124), emphasis added.

¹⁷⁸ As amended by Statutes 2009, 3d Extraordinary Session, chapter 4.

¹⁷⁹ Government Code section 17518.5 (added, Stats. 2004, ch. 890); Government Code section 17557 (as amended, Stats. 2004, ch. 890; Stats. 2007, ch. 329).

¹⁸⁰ Former Government Code section 17561 (Stats. 2002, ch. 1124).

¹⁸¹ Compare Government Code section 17561 (Stats. 2002, ch. 1124) with Government Code section 17561 (Stats. 2007, ch. 329).

¹⁸² Exhibit C, Controller’s Comments, page 17.

be used to establish the sufficiency, or validity of evidence.¹⁸³ 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.¹⁸⁴

In accordance with the Controller’s audit authority and duties under the 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 method chosen is arbitrary, capricious, or entirely lacking in evidentiary support.¹⁸⁵ 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.”¹⁸⁶

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*¹⁸⁷ and *Union of American Physicians and Dentists v. Kizer*¹⁸⁸ (*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.¹⁸⁹ 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.¹⁹⁰ Thus, after *Grier*, the Department has both regulatory and statutory authority for its sampling and extrapolation audit process.¹⁹¹ However, even before that express authority was enacted, the court was not moved to disapprove of sampling and extrapolation on its merits.

¹⁸³ Exhibit X, Excerpt from Government Auditing Standards, 2003, page 13.

¹⁸⁴ Exhibit C, Controller’s Comments, page 19.

¹⁸⁵ *American Bd. of Cosmetic Surgery, Inc, supra*, 162 Cal.App.4th at pgs. 547-548.

¹⁸⁶ Exhibit A, IRC 07-904133-I-05, page 14.

¹⁸⁷ (1990) 219 Cal.App.3d 422.

¹⁸⁸ (1990) 223 Cal.App.3d 490.

¹⁸⁹ E.g., *Grier, supra*, 219 Cal.App.3d, at pp. 439-440.

¹⁹⁰ *Union of American Physicians and Dentists, supra*, 223 Cal.App.3d at pp. 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)].

¹⁹¹ 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).

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.¹⁹² 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.”¹⁹³

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,¹⁹⁴ the Commission finds that the Controller has the authority to audit a reimbursement claim based on statistical sampling and extrapolation and that such methods (to the extent that they do not impose an underground regulation) must be upheld 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 argues 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.”¹⁹⁵ In addition, the claimant argues that “[t]he ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe.” The claimant asserts that there are “several qualitative reasons that a random selection of notices will not be representative of the universe.”¹⁹⁶ For example, the claimant alleges that there are “several methods of compliance...” and that the Controller has made “no showing that the sample accurately reflects the relative occurrence of trancies at different grade levels.” The claimant asserts, without evidence, that “the incidence of truancy in secondary schools is generally greater than elementary schools.”¹⁹⁷ And, the claimant argues that “[l]ess than two percent of the total number of notices were audited...” and that “[t]he expected error rate is stated to be 50%, which means the total amount adjusted of \$108,307 is really just a number exactly between \$54,154 (50%) and \$162,461 (50%).”

The Controller disagrees that statistical methods are inappropriate, stating: “We properly used estimation sampling to establish the frequency of occurrence of non-reimbursable initial truancy

¹⁹² See, e.g., *Bell v. Farmers Insurance Exchange* (2004) 115 Cal.App.4th 715.

¹⁹³ *County of Marin v. Martin* (1974) 43 Cal.App.3d 1, 7.

¹⁹⁴ Government Code section 12410 (Stats. 1968, ch. 449).

¹⁹⁵ Exhibit A, IRC 07-904133-I-05, page 14.

¹⁹⁶ Exhibit A, IRC 07-904133-I-05, page 15.

¹⁹⁷ Exhibit A, IRC 07-904133-I-05, page 15.

notifications.”¹⁹⁸ The Controller further states that the claimant “provided no testimonial or documentary evidence to support its assertion” that the error rate in a random sample is not reflective of the error rate within the universe.¹⁹⁹ Furthermore, in its comments on the IRCs, the Controller demonstrates that the claimant’s understanding and description of “expected error rate” and the appropriate size of a sample is also erroneous.

Here, the claimant has presented no evidence that schools within the claimant’s district complied with the mandate in different ways, which may provide evidence that the results from the sample are not representative of all notices claimed. The Commission, and the Controller, must presume that the claimant uniformly complied with the mandate, absent evidence to the contrary.

Moreover, the claimant’s assertion regarding the incidence of truancy in secondary schools has been obviated by the “stratified” samples and separate error rate extrapolation performed by the Controller in the revised audit.²⁰⁰ Furthermore, the claimant’s concerns about the proportional size of the sample are unfounded, and the claimant’s conclusions about the “expected error rate” are entirely mistaken.

The Controller demonstrates that the absolute size of the sample, not the relative size, is more important. 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.²⁰¹ 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 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

¹⁹⁸ Exhibit C, Controller’s Comments, page 19.

¹⁹⁹ Exhibit C, Controller’s Comments, page 20.

²⁰⁰ Exhibit B, IRC 10-904133-I-07, pages 27-28.

²⁰¹ Exhibit C, Controller’s Comments, page 22 [Citing Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, p. 89].

$N = \text{population size}^{202}$

The formula above, when applied with a 50 percent expected error rate (the assumption when an error rate is not known), and a desired eight percent margin of error, as stated in the audit report,²⁰³ shows that an appropriate sample size is between 145 and 148 pupils for populations ranging from 5,049 notifications (elementary and special education pupils for fiscal year 1999-2000) to 9,531 notifications (middle and high school pupils for fiscal year 1999-2000).²⁰⁴ If “two percent” were a relevant proportion with respect to the selection of sample size, we would expect sample sizes to vary widely from one population to the next (two percent of 5,049 would yield a sample of 105, while two percent of 9,531 would yield a sample of 191). Applying the formula shown above illustrates that an appropriate sample size is not so closely correlated to the size of the population. The Controller explains:

Although complete confidence can only be approached with a complete examination, the underlying mathematical basis of statistical sampling shows clearly that a small audit test can achieve a relatively high degree of reliability and that, beyond a certain point, additional testing improves reliability by only a very small amount. With the use of statistical sampling, the auditor can, in any given audit test, mathematically determine the extent of testing necessary to achieve a desired degree of reliability as well as the degree of risk associated with the extent of testing.²⁰⁵

Therefore, the claimant’s concern that the Controller’s sampling technique is “quantitatively non-representative” because fewer than two percent of the total notices issued were examined in the sample,²⁰⁶ is unfounded.

Moreover, although the record indicates an objectively wide range of accuracy in the Controller’s estimated reduction, in this case, once the number of unallowable notifications in the samples are adjusted based on the Commission’s findings regarding the number of absences required to trigger the mandate, the range of the total extrapolated dollar amount adjustment becomes substantially smaller as well. In other words, the Controller states that the dollar amount “adjustment range is \$61,238 to \$114,216” for all three fiscal years (while also noting that “the point estimate provides the best, and thus reasonable, single estimate of the population’s error rate”).²⁰⁷ But because the Commission concludes that only approximately ten percent of the notifications that the Controller examined and deemed unallowable were legally correct (16 out of 167), the dollar amount reduction, and its wide ranging accuracy, must narrow accordingly.

²⁰² *Id.*, at page 22 [Citing Arkin, p. 56].

²⁰³ See, e.g., Exhibit B, IRC 10-904133-I-07, page 27.

²⁰⁴ Exhibit C, Controller’s Comments, pages 21-22.

²⁰⁵ Exhibit C, Controller’s Comments, page 22.

²⁰⁶ Exhibit A, IRC 07-904133-I-05, page 16.

²⁰⁷ Exhibit C, Controller’s Comments, page 22.

For example, in fiscal year 1999-2000, the Controller found 57 total unallowable notifications, based on pupils that accumulated fewer than four absences. However, only six of those, one for a middle or high school student, and five for elementary or special education students, were issued for pupils who accumulated fewer than three unexcused absences, which the Commission has determined above is a legally correct reason for disallowance. Therefore, based on the Commission's findings above, the adjusted error rates for fiscal year 1999-2000 are now 0.07 percent for middle and high school students (formerly 3.38 percent)²⁰⁸; and 3.42 percent for elementary and special education students (formerly 35.61 percent).²⁰⁹ When extrapolated to the respective populations, those percentages result in a projected disallowance of 6 notifications for middle and high school students (formerly 322); and 173 notifications for elementary and special education students (formerly 1,798).²¹⁰ This results in a total dollar amount reduction for fiscal year 1999-2000 of \$2,897 (formerly \$25,927). The same pattern holds true for fiscal years 2000-2001 and 2001-2002, as shown below, and thus the adjustment range can be expected also to decrease substantially: the "point estimate" for the *total reduction* for three years is thus revised from \$87,177 to \$7,972, based on the Commission's findings. Thus, the range of the possible adjustment, formerly approximately \$52,000 wide, as stated by the Controller, can no longer be more than a few thousand dollars in excess of or below the estimated adjustment.²¹¹

Finally, due to the volume of notifications that the school district issues in each year (45,785 notices were issued by the claimant during the audit period), and the objectively small transaction cost (i.e., the unit cost value of reimbursement for each of those notifications, ranging from \$12.23-\$12.91 during the audit period), the Controller's use of sampling and extrapolation to audit whether the notifications were issued properly and supported by the claimant's attendance records is not unreasonable. Therefore, the claimant's assertion that "the conclusions obtained from the sample may not be representative of the universe" is unfounded, and the Controller's showing that its method is statistically significant and mathematically valid is sufficient.

Based on the foregoing, the Commission finds that there is no evidence in the record that the Controller's application of sampling and extrapolation methodology at issue in this audit is arbitrary, capricious, or entirely lacking in evidentiary support.

V. Conclusion

Based on the foregoing, pursuant to Government Code section 17551(d) and section 1185.9 of the Commission's regulations, the Commission requests that the Controller reinstate \$23,030 for fiscal year 1999-2000, \$25,294 for fiscal year 2000-2001, and \$30,881 for fiscal year 2001-2002, as follows:

²⁰⁸ Exhibit B, IRC 10-904133-I-07, page 28.

²⁰⁹ Exhibit B, IRC 10-904133-I-07, page 27.

²¹⁰ Exhibit B, IRC 10-904133-I-07, pages 27-28.

²¹¹ Using the Controller's formula, provided in Tab 3 of Exhibit C, page 31, the approximate range of adjustment based on the reinstatement as described, is \$5,916 above or below the new "point estimate" of \$7,972, or \$2,056 to \$13,888.

Fiscal Year 1999-2000:		
<u>Elementary and Special Education</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>
Notifications Sampled	146	146
Unallowable Notifications	52	5
Unallowable Percentage	35.61%	3.42%
Total Notifications	5,049	5,049
Unallowable (Extrapolated)	1,798	173
Uniform Cost Allowance	\$12.23	\$12.23
Subtotal Costs Unallowable	\$21,989	\$2,115
<u>Middle and High School</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>
Notifications Sampled	148	148
Unallowable Notifications	5	1
Unallowable Percentage	3.38%	0.067%
Total Notifications	9,531	9,531
Unallowable (Extrapolated)	322	64
Uniform Cost Allowance	\$12.23	\$12.23
Subtotal Costs Unallowable	\$3,938	\$783
TOTAL Costs Unallowable	\$25,927	\$2,897

Fiscal Year 2000-2001:		
<u>Elementary and Special Education</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>
Notifications Sampled	146	146
Unallowable Notifications	62	8
Unallowable Percentage	42.47%	5.48%
Total Notifications	5,203	5,203
Unallowable (Extrapolated)	2,210	285
Uniform Cost Allowance	\$12.73	\$12.73
Subtotal Costs Unallowable	\$28,133	3,628
<u>Middle and High School</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>

Notifications Sampled	148	148
Unallowable Notifications	2	1
Unallowable Percentage	1.35%	0.067%
Total Notifications	9,210	9,210
Unallowable (Extrapolated)	124	62
Uniform Cost Allowance	\$12.73	\$12.73
Subtotal Costs Unallowable	\$1,578	\$789
TOTAL Costs Unallowable	\$29,711	\$4,417

Fiscal year 2001-2002:		
<u>Elementary and Special Education</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>
Notifications Sampled	147	147
Unallowable Notifications	38	1
Unallowable Percentage	25.85%	0.068%
Total Notifications	7,509	7,509
Unallowable (Extrapolated)	1,941	51
Uniform Cost Allowance	\$12.91	\$12.91
Subtotal Costs Unallowable	\$25,058	\$658
<u>Middle and High School</u>	<u>Controller's Audit</u>	<u>Commission's Finding</u>
Notifications Sampled	148	148
Unallowable Notifications	8	0
Unallowable Percentage	5.41%	N/A
Total Notifications	9,283	
Unallowable (Extrapolated)	502	N/A
Uniform Cost Allowance	\$12.91	\$12.91
Subtotal Costs Unallowable	\$6,481	\$0
TOTAL Costs Unallowable	\$31,539	\$658

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 July 31, 2015, I served the:

Draft Proposed Decision, Schedule for Comments, and Notice of Hearing
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, 2000-2001, and 2001-2002
San Juan 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 July 31, 2015 at Sacramento, California.



Jill L. Magee
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 6/25/15

Claim Number: 07-904133-I-05 Consolidated with 10-904133-I-07

Matter: Notification of Truancy

Claimant: San Juan 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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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.

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 *McCarther 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.

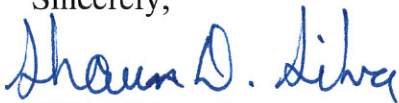
⁵ All further references shall be to the Education Code, unless otherwise indicated.

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.

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 August 24, 2015, I served the:

SCO Comments

Notification of Truancy, 07-904133-I-05 and 10-904133-I-07

Education Code Section 48260.5

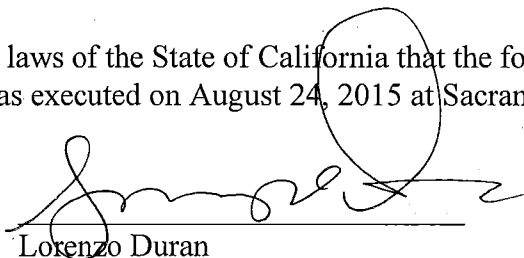
Statutes 1983, Chapter 498

Fiscal Years: 1999-2000, 2000-2001, and 2001-2002

San Juan 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 August 24, 2015 at Sacramento, California.



Lorenzo Duran

Commission on State Mandates

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COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 8/11/15

Claim Number: 07-904133-I-05 Consolidated with 10-904133-I-07

Matter: Notification of Truancy

Claimant: San Juan Unified School District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

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SixTen and Associates Mandate Reimbursement Services

RECEIVED
September 10, 2015
Commission on
State Mandates

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Exhibit F

September 10, 2015

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

Dear Ms. Halsey:

RE: CSM 07-904133-I-05 and 10-904133-I-07
San Juan Unified School District
498/83 Notification of Truancy - **Audit #1**
Fiscal Years: 1999-00, 2000-01, and 2001-02
Incorrect Reduction Claim

I have received the Commission Draft Proposed Decision (DPD) dated July 31, 2015, for the above-referenced incorrect reduction claims, to which I respond on behalf of the District.

PART A. STATUTE OF LIMITATIONS APPLICABLE TO AUDITS OF ANNUAL REIMBURSEMENT CLAIMS

The District asserted in its original incorrect reduction claim filed on December 17, 2007, and revised incorrect reduction claim filed July 16, 2010, that the FY 1999-00 annual reimbursement claim and perhaps the FY 2000-01 claim was beyond the statute of limitations for an audit when the Controller issued its audit report on December 30, 2004. The Controller's October 3, 2014, response to the incorrect reduction claims stated that the FY 2000-01 annual claim was signed November 11, 2002, thus removing it from dispute for this issue. The Commission concludes (DPD, 29) that the original audit was both timely initiated and timely completed as to all fiscal years.

The Controller issued the revised audit report on November 25, 2009. The District asserted in the revised incorrect reduction claim that all three fiscal years were beyond the statute of limitations for revised audit findings. The Commission concludes (DPD, 33) that the revised audit was not timely completed as to all fiscal years, but that the Commission can take official notice of the revised audit report "to the extent that the

revised audit report narrows the issues in dispute or mitigates the amount of reductions originally asserted by the Controller." The District agrees.

Chronology of Claim Action Dates

January 11, 2001	FY 1999-00 claim filed by the District
March 5, 2003	Entrance conference date
December 31, 2003	FY 1999-00 statute of limitations for audit expires
December 30, 2004	Controller's original final audit report issued
November 25, 2009	Controller's revised final audit report issued

Based on the annual claim filing date, FY 1999-00 is subject to the statute of limitations language established by Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996:

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. However, if no funds are appropriated for the program for the fiscal year for which the claim is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

1. Audit Initiation

The District's FY 1999-00 annual claim was submitted to the Controller on January 11, 2001. According to the 1995 version of Government Code Section 17558.5 this annual claim is subject to audit no later than December 31, 2003. The Commission determined on March 27, 2015, (CSM 09-4425-I-17 and CSM 10-4425-I-18, Sierra Joint Community College District, Collective Bargaining) that for purposes of measuring the statute of limitations, the audit commences no later than the date the entrance conference letter was sent. The entrance conference letter is not on the record here. However, since the entrance conference occurred prior to January 1, 2004, the District concurs that the audit of the FY 1999-00 annual claim started before the expiration of the statute of limitations to commence an audit.

2. Audit Completion

It is uncontested here that an audit is complete only when the final audit report is issued. The District asserts that the annual claim for FY 1999-00 was beyond the statute of limitations to *complete* the audit when the Controller issued its audit report on

December 30, 2004. However, the Commission concludes (DPD, 31):

The only reading of these facts and of section 17558.5 that could bar the subject audits would be to hold that section 17558.5 requires an audit to be *completed* within two years of filing, in which case the final audit report issued December 30, 2004 would be barred. This is the interpretation urged by the claimant, but this reading of the code is not supported by the plain language of the statute, as explained above. At the time the costs were *incurred* in this case, section 17558.5 did not expressly fix the time during which an audit must be completed. Nevertheless, the Controller was still required under common law to complete the audit within a reasonable period of time. Under appropriate circumstances, the defense of laches may operate to bar a claim by a public agency if there is evidence of unreasonable delay by the agency and resulting prejudice to the claimant.¹¹⁴ However, here the audit report was issued December 30, 2004, approximately sixteen and one-half months after the initiation date. Thus, there is no evidence of an unreasonable delay in the completion of the audit.

The District does not agree. The Commission seems to be asserting that the Controller was required under common law to complete the audit within a reasonable period of time without regard to the positive law of the legislature's statute of limitations. Reliance on the reasonableness of the actual length of the audit period process would mean in practice that the determination of a reasonable audit completion date would become a question of fact for every audit, which is contrary to the concept of a statute of limitations.

The Commission's reliance on the equitable concept of laches is troublesome. Cases in law are governed by statutes of limitations, which are laws that determine how long a person has to file a lawsuit before the right to sue expires. Laches is the equitable equivalent of statutes of limitations. However, unlike statutes of limitations, laches leaves it up to the adjudicator to determine, based on the unique facts of the case, whether a plaintiff has waited too long to seek relief. Here there is no issue as to whether the District has been tardy in seeking relief. The incorrect reduction claim, the statutory form of relief from an audit, was timely-filed according to the statute.

Laches is a defense to a proceeding in which a plaintiff seeks equitable relief. Cases in equity are distinguished from cases at law by the type of remedy, or judicial relief, sought by the plaintiff. Generally, law cases involve a problem that can be solved by the payment of monetary damages. Equity cases involve remedies directed by the court against a party. An incorrect reduction claim is explicitly a matter of money due to the claimant. The District is not seeking an injunction, where the court orders a party to do or not to do something; declaratory relief, where the court declares the rights of the two parties to a controversy; or an accounting, where the court orders a detailed written statement of money owed, paid, and held.

The Commission has not indicated that it has jurisdiction for equitable remedies. Therefore a Commission finding that there is no evidence of an unreasonable delay in the completion of the audit is without jurisdiction or consequence and simply irrelevant. Or, if the Commission is suggesting that claimant resort to the courts for an equitable remedy on the issue of statute of limitations, that is contrary to fact that the Government Code establishes primary jurisdiction to the Commission for audit disputes, that is, the incorrect reduction claim process.

If, as the Commission asserts, the 1995 version establishes no statutory time limit to complete a timely commenced audit, Section 17558.5 becomes absurd. Once timely commenced, audits could remain unfinished for years either by intent or neglect and the audit findings revised at any time. Thus, the claimant's document retention requirements would become open-ended and eventually punitive. Statutes of limitations are not intended to be open-ended; they are intended to be finite, that is, a period of time measured from an unalterable event, and in the case of the 1995 version of the code, it is the filing date of the annual claim.

Notwithstanding, the District is on notice of the March 24, 2015, judgment denying the petition for writ in the *Clovis II* case. The Sacramento Superior Court appears to agree with the Commission that the 1995 version of section 17558.5 does not require the audit to be completed within two years from the date the annual claim was filed. The Superior Court concluded that time was not unlimited to complete the audit, but that common law requires the Controller to "diligently prosecute" the audit and that the revised audit reports indicate that diligence. This court decision makes timely completion of the audits (generally involving fiscal years before FY 2001-02) always a question of fact.

PART B. THE EDUCATION CODE SECTION 48260 DEFINITION OF TRUANCY

The original audit report disallowed \$108,307 of the claimed costs for the audit period because "pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program." The revised audit report corrected this amount to \$87,177, to which the Commission takes notice.

<u>Amounts Adjusted</u>	<u>Annual Reimbursement Claim Fiscal Year</u>			
	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Audit Report Disallowed	\$25,927	\$29,711	\$31,539	\$87,177
Number of Notices	57	64	46	167
Commission Allowed	\$23,030	\$25,294	\$30,881	\$79,205
Number of Notices	51	55	45	151
Commission Disallowed	\$2,897	\$4,417	\$658	\$7,972
Number of Notices	6	9	1	16

The issue is the number of absences/tardies documented when the notification was issued. There are two Commission findings. The Commission reinstates the adjustments for those students who had three but did not have four absences/tardies in the extrapolated amount of \$79,205. The Commission sustains the adjustment for those students who had less than three absences/tardies in the extrapolated amount of \$7,972. The District agrees with both these Commission findings to the extent of the actual number of sampled notices involved, but not as to the extrapolation of these sampled notices.

1. Definition of Initial Truancy

The revised audit report disallowed 151 notices in the audit sample for those students who had three but did not have four absences/tardies. 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, 36) 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.

2. Documentation Issues

The revised audit report disallowed 16 notices in the audit sample for those students sampled who had less than three unexcused absences/tardies. 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. There being no additional documentation available at the time of audit or now, the District no longer disputes this issue.

PART C. STATISTICAL SAMPLING AND EXTRAPOLATION OF FINDINGS

The incorrect reduction claim asserted 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, 39-40) *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."¹⁵¹

a. "Generality" of application (Government Code Section 11340.5)

Tidewater states that the rule need not be applied universally, but only to certain class of cases. Notwithstanding, the Commission (DPD, 40) 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 amenable 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, 42) 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 167), 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 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 168), 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 169), 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 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, 42) 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, 40-41) 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 claim asserts 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, 43-45) 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 for 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 this incorrect reduction claim is that the Administrative Procedure Act prohibits underground rulemaking.

b. Broad Constitutional authority

The Commission cites Article XVI, section 7, which states that "Money 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: "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 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 report states 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, 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

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>.

performance criteria. A performance audit was not conducted. The audit was a documentation audit.

f. Government Code Section 17558.5

In the audit report the Controller cites, but the Commission does not consider Government Code Section 17558.5 in the DPD which describes the time to commence and finish an audit. This is not an audit content or process standard and is not relevant.

3. Application of the 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 (DPD, 49) 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, 40-41) 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 purpose of 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.

The Commission (DPD, 47) asserts:

Here, the claimant has presented no evidence that schools within the claimant's district complied with the mandate in different ways, which may provide evidence that the results from the sample are not representative of all notices claimed. The Commission, and the Controller, must presume that the claimant uniformly complied with the mandate, absent evidence to the contrary. Moreover, the claimant's assertion regarding the incidence of truancy in secondary schools has

been obviated by the “stratified” samples and separate error rate extrapolation performed by the Controller in the revised audit. 200 Furthermore, the claimant’s concerns about the proportional size of the sample are unfounded, and the claimant’s conclusions about the “expected error rate” are entirely mistaken.

The Commission establishment of a rebuttable presumption that it must be presumed that the district uniformly complied with the mandate is contradicted by 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.

It can be seen here that the Commission has come down on both sides of this issue. For San Juan, the Commission states that there is no evidence that the schools complied with the mandate in different ways. At the same time, there is no evidence of uniform compliance and it should not be assumed otherwise. To assert that sampling is per se uniform as long as evidence specific to this District is not presented to the contrary ignores the reality of Los Angeles and the findings of other audits (e.g., Colton) of this mandate program. In fact, the audit report (Finding 3) determined that the attendance accounting procedures for the middle and high schools were different from the elementary schools. The Commission’s rebuttable presumption is rebutted. The Los Angeles issue also raises a factual issue not addressed by the San Juan audit report, that is, whether the sample included students from all school sites. If not, this would reduce the universe for extrapolation.

The Commission accepts the Controller's 50% error rate as reasonable. The Commission cites (DPD, 47) 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. 201

The error rate of 50% should not to be championed by anyone when it results in a fiscal penalty. The Commission findings note that the sample size (146 to 148) is essentially the same for populations which range from 5,049 to 9,531 notifications. The stated precision rate was plus or minus 8% even though the audited number of notices claimed in FY 2000-01 (14,413) is 14% smaller than the size of FY 2001-02 (16,792). The matter of precision is not proved. The Controller was not compelled to restrict the sample size or precision. Increasing the sample size would increase the potential representativeness of the sample.

The Commission's (DPD, 49) ultimate *factual* basis for accepting the sample and extrapolation is stated as:

Finally, due to the volume of notifications that the school district issues in each year (45,785 notices were issued by the claimant during the audit period), and the objectively small transaction cost (i.e., the unit cost value of reimbursement for each of those notifications, ranging from \$12.23-\$12.91 during the audit period), the Controller's use of sampling and extrapolation to audit whether the notifications were issued properly and supported by the claimant's attendance records is not unreasonable. Therefore, the claimant's assertion that "the conclusions obtained from the sample may not be representative of the universe" is unfounded, and the Controller's showing that its method is statistically significant and mathematically valid is sufficient.

These conclusions are unsupported and not logical. The large volume of the notifications compels greater precision. The "small" unit cost of the notifications is irrelevant since it is fixed by the parameters and guidelines and thus not a variable.

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 September 10, 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 September 11, 2015, I served the:

Claimant Comments

Notification of Truancy, 07-904133-I-05 and 10-904133-I-07

Education Code Section 48260.5

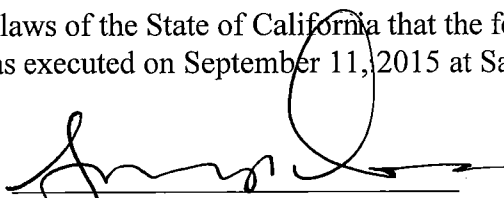
Statutes 1983, Chapter 498

Fiscal Years: 1999-2000, 2000-2001, and 2001-2002

San Juan 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 11, 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: 9/10/15

Claim Number: 07-904133-I-05 Consolidated with 10-904133-I-07

Matter: Notification of Truancy

Claimant: San Juan 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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STATE OF CALIFORNIA

STATE MANDATED COST TEST CLAIM

SB 90-1 (2/81)

RECEIVED

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#2

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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) [X] 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: [X] APPROPRIATION, [X] 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.
[X] 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.

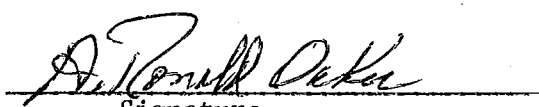
Executed this 20th day of August, 1984, at San Diego, California.
City State

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

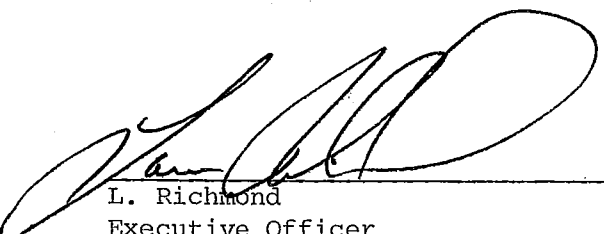
At its hearing of November 29, 1984, the State Board of Control, after receiving evidence submitted by the claimant and the Department of Finance determined that Chapter 498, Statutes of 1983 imposed reimbursable state mandated costs as defined by the Revenue and Taxation Code (RTC).

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.

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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

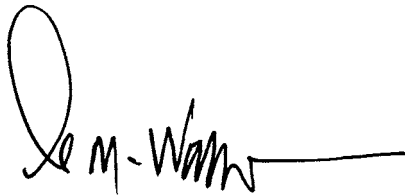
warning of emerging problems. We believe auditor reporting on internal control is appropriate and necessary for publicly traded companies and major public entities. We also believe that such reporting is appropriate in other cases where management assessment and auditor examination and reporting on the 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" with a long horizontal line extending to the right.

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

distribution of a written notice. Section V(A) of the parameters and guidelines directs eligible claimants to “[r]eport the number of initial notifications of truancy distributed during the year,” and further directs school districts to “not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.”

Reimbursement was not approved for providing notice based on the most cost-effective method, or to provide notice using an unwritten method like a telephone call.

Thus, the request to add language requiring that school districts be reimbursed based on the most cost-effective method of providing notice, including the option of providing a verbal notice by telephone or meeting, is not consistent with the Board of Control’s original decision on the test claim. Since the Board of Control’s decision limited the mandate to written notifications, the Commission cannot later authorize reimbursement to distribute an unwritten notice, absent a new test claim filing, since that change would not clarify or be consistent with the original decision.

Therefore, the SCO’s requests to authorize reimbursement for unwritten notifications and to amend the unit cost language are denied. In addition, the related proposed amendments to add time study language and boilerplate language for filing reimbursement claims based on actual costs for unwritten notifications are also denied.

School districts are required by law to comply with Education Code section 48260.5, as amended in 2010, and use “the most cost-effective method possible, which may include electronic mail or a telephone call” when providing the required notice of truancy. However, school districts are not eligible to claim reimbursement under the existing parameters and guidelines to determine the most cost-effective method of notification or to claim reimbursement based on unwritten notifications since a test claim was not filed on the 2010 statute.

If the actual costs of the program are now less than the unit cost approved in the parameters and guidelines as a result of the subsequent 2010 statute, as suggested in the legislative history of the bill, the Government Code does authorize two alternative processes that may be applicable here. If it is contended that the state’s liability for the *Notification of Truancy* program has been modified based on a subsequent change in law (Stats.2010, ch.724), a request for a new test claim decision pursuant to Government Code section 17570 may be filed. Under section 17570, the Commission “may adopt a new test claim decision to supersede a previously adopted test claim decision only upon a showing that the state’s liability for that test claim decision pursuant to subdivision (a) of Section 6 of Article XIII B of the California Constitution has been modified by a subsequent change in law.”⁵⁵ However, all representations of fact in a mandate redetermination request must be supported by documentary evidence filed in the record to support the requested findings.⁵⁶

Alternatively, if the allegation is that the unit cost does not currently reflect the actual reasonable costs incurred to comply with the original mandated program, a parameters and guidelines amendment proposing a new reasonable reimbursement methodology (RRM) could be filed pursuant to Government Code section 17557(d)(2)(C). Any request to change an existing unit

⁵⁵ Government Code section 17570(b).

⁵⁶ Government Code section 17559; California Code of Regulations, title 2, section 1187.5.

cost must comply with the RRM requirements in Government Code section 17518.5.⁵⁷ As determined by the Commission, a unit cost RRM must represent a reasonable approximation of the actual costs incurred by each eligible claimant to comply with the state-mandated program, in order to fulfill the constitutional requirement that all costs mandated by the state be reimbursed to a local governmental entity. In addition, the unit cost proposal must be based on substantial evidence in the record.⁵⁸

For the reasons stated above, however, the Commission does not have the authority to adopt the SCO's proposed amendments to these parameters and guidelines.

VI. Conclusion

The Commission denies the request to amend the parameters and guidelines.

⁵⁷ Government Code section 17557(d)(2)(C).

⁵⁸ Article XIII B, section 6 of the California Constitution; Government Code sections 17518.5, 17557, and 17559; Evidence Code section 1280; California Code of Regulations, title 2, section 1187.5; *Chesney v. Byram* (1940) 15 Cal.2d 460, 465; *CSBA v. State of California* (2011) 192 Cal.App.4th 770, 795; *Porter v. City of Riverside* (1968) 261 Cal.App.2d 832, 837; *Tobe v. City of Santa Ana* (1995) 9 Cal.4th 1069, 1084.

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 September 12, 2014, I served the:

Proposed Decision

Request to Amend Parameters and Guidelines

Notification of Truancy, 11-PGA-01 (07-PGA-01, 05-PGA-56, CSM-4133)

Education Code Section 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023;

Statutes 1995, Chapter 19; Statutes 2007, Chapter 69

State Controller's Office, Requester 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 12, 2014 at Sacramento, California.



Heidi J. Palchik
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COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 9/8/14

Claim Number: 11-PGA-01

Matter: Notification of Truancy (05-PGA-56, 07-PGA-01, CSM-4133)

Requester: State Controller's Office

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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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.

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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

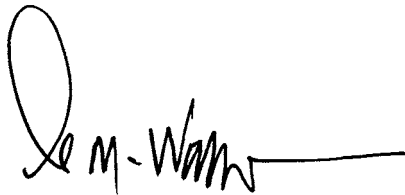
warning of emerging problems. We believe auditor reporting on internal control is appropriate and necessary for publicly traded companies and major public entities. We also believe that such reporting is appropriate in other cases where management assessment and auditor examination and reporting on the 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, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

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 : UnknownCOMMENTS : 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

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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
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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.

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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 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 truancy 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>\$ (61,952)</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
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California Department of Education
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Department of Finance
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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
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Internal Compliance Auditor
MCS Education Services
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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

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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**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<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.

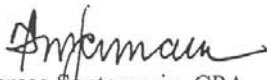
The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

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
Government Affairs Division
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

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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

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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 truanies for FY 2003-04 and FY 2006-07, respectively, of which one for FY 2003-04 and three for FY 2006-07 were ineligible truanies. The truanies 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
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California Department of Education
Carol Bingham, Director
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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

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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

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Associate Superintendent
of Finance & School Support
(916) 686-7744
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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

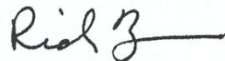
Finding 2 – Unallowable initial truancy notifications

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

CH:H:\Mandated Cost Claims - Audit\NOT\NOT Audit Reponse.Doc

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

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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
Patricia R. Barr, President
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Luisa Medina
Manuel G. Nuñez
Michael E. O'Hare
Silvia Astorga Salcido
Tony Vang, Ed.D.

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

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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

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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

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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.

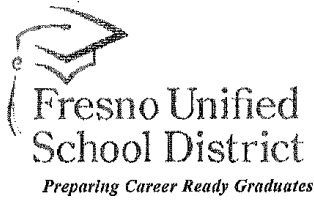
The parameters and guidelines (section I – Background and Summary of Mandate) state:

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
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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

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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**

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	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*

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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.

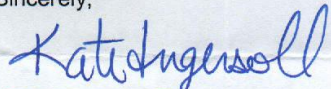
Parameters & Guidelines vs. Education Code - Likewise the district acknowledges that it claimed reimbursement for initial truancy letters for the 2002/03, 2003/04, 2004/05 and 2005/06 school years.

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

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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

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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.

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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

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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
Post Office Box 942850
Sacramento, California 94250-5874**

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

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
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
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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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
California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
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Audit Report

Summary

The State Controller's Office (SCO) 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.

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, 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	<u>143</u>	<u>143</u>	<u>143</u>	
Percentage of unallowable initial truancy notifications	-9.79%	-6.29%	-2.10%	
Population sampled	<u>2,856</u>	<u>3,206</u>	<u>2,970</u>	
Extrapolated number of unallowable initial truancy notifications	(280)	(202)	(62)	
Uniform cost allowance	<u>\$ 17.74</u>	<u>\$ 17.87</u>	<u>\$ 18.29</u>	
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	<u>144</u>	<u>144</u>	<u>144</u>	
Percentage of unallowable initial truancy notifications	-28.47%	-0.69%	-11.81%	
Population sampled	<u>3,297</u>	<u>3,317</u>	<u>3,283</u>	
Extrapolated number of unallowable initial truancy notifications	(939)	(23)	(388)	
Uniform cost allowance	<u>\$ 17.74</u>	<u>\$ 17.87</u>	<u>\$ 18.29</u>	
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
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
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Division of Accounting and Reporting
State Controller's Office

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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

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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 trancies. 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 trants 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

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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

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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 truanancies 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>
Truanancies per district's accounting system (four or more unexcused absences)	18,087	20,994	39,081
Truanancies 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 truanies claimed during the audit period was not substantiated by the district's records. The district was unable to reconcile the claimed truanies 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</u> ¹
<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

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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		<u>(7)</u>		
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		<u>(535,236)</u>		
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
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State Controller's Office

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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
Fiscal and Administrative Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance

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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

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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>(28)</u>	<u>(25)</u>	<u>(9)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	<u>8</u>	<u>9</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

ADMINISTRATION BUILDING
 3380 14TH STREET - P. O. BOX 2800
 RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT
 (951) 788-7131
 FAX: (951) 778-5668

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

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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 2006-07
Number of noncompliant initial truancy notifications	14,020
Uniform cost allowance	× \$16.15
Subtotal	226,423
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 Vanderzyl
President
Mr. Tom Hunt
Vice President
Mrs. Gayle Cloud
Clerk
Mrs. Kathy Allavie
Charles L. Beaty Ph.D.

Riverside Unified School District

ADMINISTRATION BUILDING
3380 14TH STREET - P. O. BOX 2800
RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT
(951) 788-7135
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.

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

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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	(23,258)	(8,014)	
Unallowable truancy notifications	(1,095)	(171)	<u>(1,266)</u>
Uniform cost allowance	× \$12.73	× \$12.91	
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

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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:

	Fiscal Year <u>2006-07</u>
Number of noncompliant initial truancy notifications	13,374
Uniform cost allowance	× \$16.15
Subtotal	<u>\$ 215,990</u>
Unallowable percentage	× (12.5)%
Audit adjustment	<u><u>\$ (26,999)</u></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

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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	<u>× \$12.73</u>	<u>× \$12.91</u>	
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 truancies:				
Non-compliant notifications	23	48	54	125
Unsupported notifications	274	248	242	764
Total unallowable truancies	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 truancies, 148 for elementary schools and 149 for middle/high schools from a population of 27,747 truancies (12,838 for elementary and 14,909 for middle/high schools). For FY 2001-02, we selected and tested 296 truancies, 148 for elementary schools and 148 for middle/high schools from a population of 25,821 truancies (11,661 for elementary and 14,160 for middle/high schools). For FY 2002-03, we selected and tested 296 truancies, 148 for elementary schools and 148 for middle/high schools from a population of 21,732 truancies (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
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Gary Thomas, Ed.D., Superintendent of Schools
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Fiscal Policy Division
California Department of Education
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State Controller's Office

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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	(33)	(10)	(12)
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	(1)	(6)	(1)
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 Foggiano, 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

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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
Santa Clara 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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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.

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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.

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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	× \$17.87	× \$18.29	× \$18.91	
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**



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>
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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

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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.

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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:

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.

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San Jose Unified
School District

Vincent Matthews, Ed.D.
Superintendent

"Inspiring and Preparing for Success"

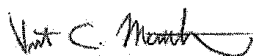
There is no Government Code section cited that prohibits the Controller from reimbursement of audited costs in excess of claimed costs. Government Code Section 17561(d)(2) (C) states: "The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous 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

Sandy Engel • Teresa Castellanos • Susan Ellenberg • Pamela Foley • Paymon Zarghami

855 Lenzen Ave • San Jose, California 95126-2736 • (408) 535-6090 • Fax (408) 535-2362

**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

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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,



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

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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>

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

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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	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(15)</u>
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.

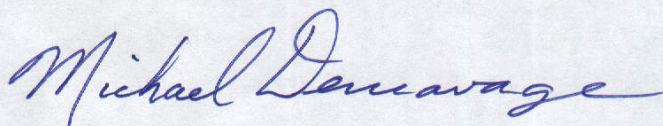
Public Records Request

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,

A handwritten signature in blue ink that reads "Michael Dencavage". The signature is written in a cursive style with a large initial "M".

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

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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 truancies (139 for elementary school, 145 for middle school, and, 148 for high school) from a population of 16,293 truancies (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 Tsunozumi, 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

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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	<u>(25,176)</u>	<u>(22,953)</u>	<u>(20,624)</u>	<u>(11,647)</u>	\$ (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	(28,674)	(66,123)	(72,142)	(34,439)	(201,378)
Audit adjustment	\$(53,850)	\$(89,076)	\$(92,766)	\$(46,086)	\$(281,778)

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 be "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

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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

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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	4,527	7,331	7,559	19,417
Sample size:				
Elementary schools	139	144	145	428
Middle/high schools	142	144	144	430
Total	281	288	289	858

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	\$ (98)	(807)	(742)	
<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	—	(72)	(149)	
<u>Totals</u>				
Total unallowable initial truancy notifications	(98)	(879)	(891)	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	\$ (1,265)	\$ (11,603)	\$ (12,171)	\$ (25,039)

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
701 North Madison Street
Stockton, CA 95202-1687
(209) 933-7055 Ext. 2091
FAX (209) 933-7011

BOARD OF EDUCATION

Edward R. Garcia
Louis Gonzales
Anthony R. Silva
Sarah Bowden
Venice Holladay
Katrina L. Rios
Glen A. Dolberg, Ph.D.

Superintendent
Jack McLaughlin

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.

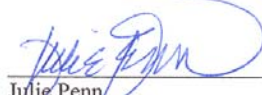
Disallowed costs based on unsupported truancy notifications.

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

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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	\$ 311,049	\$ 311,049	\$ —	
Noncompliant initial truancy notifications	—	(116,643)	(116,643)	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	\$ 326,748	\$ 326,748	\$ —	
Noncompliant initial truancy notifications	—	(122,531)	(122,531)	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	\$ 327,445	\$ 327,445	\$ —	
Noncompliant initial truancy notifications	—	(122,792)	(122,792)	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><u>(52)</u></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><u>(7)</u></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><u>\$ (26,216)</u></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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September 21, 2010

Jim L. Spano, CPA
Chief, Compliance Audits Bureau
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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

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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

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<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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Jeannie Oropeza, Program Budget Manager
Education Systems Unit
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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

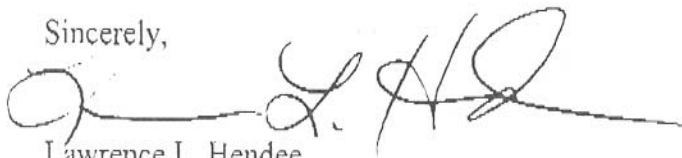
Dear Mr. Spano,

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

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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% ($\frac{7}{8}$) 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
Education Systems Unit
California Department of Finance
Debbie Wilkins, Coordinator
District Fiscal Services
Sacramento 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

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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

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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	<u>—</u>	<u>(53,709)</u>	<u>(53,709)</u>
Total program costs	<u>\$ 71,612</u>	17,903	<u>\$ (53,709)</u>
Less amount paid by the State		<u>—</u>	
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.