



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**

Table of Contents

| <u>Description</u> | <u>Page</u> |
|--|--------------------|
| State Controller's Office's Response to District Comments | |
| Declaration | Tab 1 |
| State Controller's Office Analysis and Response | Tab 2 |
| Analysis of Statistical Sample Results | Tab 3 |
| Calculation of Audit Adjustment Range | Tab 4 |
| | |
| State Controller's Office Payment Information for FY 1999-2000 (September 13, 2012)..... | Tab 5 |
| State Controller's Office Payment Information for FY 2000-01 (September 15, 2006)..... | Tab 6 |
| State Controller's Office Payment Information for FY 2000-01 (September 13, 2012)..... | Tab 7 |
| 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
6 **BEFORE THE**

7 **COMMISSION ON STATE MANDATES**

8 **STATE OF CALIFORNIA**

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.

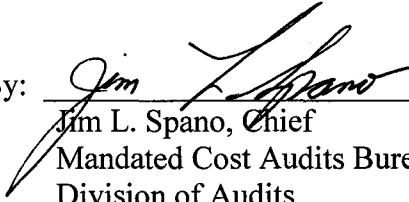
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

- 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, 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 | | (152,386) | | |
| 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.

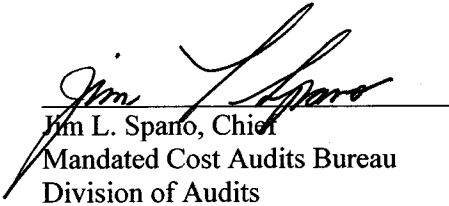
Although Education Code section 48260, subdivision (a) (as amended in 1994), defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three 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 <u>\$12.33</u> | x <u>\$12.73</u> | x <u>\$12.91</u> | |
| 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 <u>\$12.33</u> | x <u>\$12.73</u> | x <u>\$12.91</u> | |
| 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 <u>\$12.33</u> | x <u>\$12.73</u> | x <u>\$12.91</u> | |
| 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 <u>\$12.33</u> | x <u>\$12.73</u> | x <u>\$12.91</u> | |
| 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 WARRANT AMT: *****688.00

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: 09/15/2005

CLAIM SCHEDULE NBR: MA52101A

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 CLAIMED AMT: 183,477.00

TOTAL ADJUSTMENTS: (SEE BELOW) 39,934.00

TOTAL APPROVED CLAIMED AMT: 143,543.00

LESS PRIOR PAYMENTS: 142,855.00-

PRORATA PERCENT: 100.000000

PRORATA BALANCE DUE: .00

APPROVED PAYMENT AMOUNT: 688.00

PAYMENT OFFSETS -NONE

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.)

Socorro Aquino, *State Controller's Office*

Division of Audits, 3301 C Street, Suite 700, Sacramento, CA 95816

Phone: (916) 322-7522

SAquino@sco.ca.gov

Marieta Delfin, *State Controller's Office*

Division of Accounting and Reporting, 3301 C Street, Suite 700, Sacramento, CA 95816

Phone: (916) 322-4320

mdelfin@sco.ca.gov

Donna Ferebee, *Department of Finance*

915 L Street, Suite 1280, Sacramento, CA 95814

Phone: (916) 445-3274

donna.ferebee@dof.ca.gov

Chris Ferguson, *Department of Finance*

Education Systems Unit, 915 L Street, 7th Floor, 915 L Street, 7th Floor, Sacramento, CA 95814

Phone: (916) 445-3274

Chris.Ferguson@dof.ca.gov

Susan Geanacou, *Department of Finance*

915 L Street, Suite 1280, Sacramento, CA 95814

Phone: (916) 445-3274

susan.geanacou@dof.ca.gov

Ed Hanson, *Department of Finance*

Education Systems Unit, 915 L Street, 7th Floor, 915 L Street, 7th Floor, Sacramento, CA

95814

Phone: (916) 445-0328
ed.hanson@dof.ca.gov

Jill Kanemasu, *State Controller's Office*

Division of Accounting and Reporting, 3301 C Street, Suite 700, Sacramento, CA 95816
Phone: (916) 322-9891
jkanemasu@sco.ca.gov

Jay Lal, *State Controller's Office (B-08)*

Division of Accounting & Reporting, 3301 C Street, Suite 700, Sacramento, CA 95816
Phone: (916) 324-0256
JLal@sco.ca.gov

Kathleen Lynch, *Department of Finance (A-15)*

915 L Street, Suite 1280, 17th Floor, Sacramento, CA 95814
Phone: (916) 445-3274
kathleen.lynch@dof.ca.gov

Yazmin Meza, *Department of Finance*

915 L Street, Sacramento, CA 95814
Phone: (916) 445-0328
Yazmin.meza@dof.ca.gov

Robert Miyashiro, *Education Mandated Cost Network*

1121 L Street, Suite 1060, Sacramento, CA 95814
Phone: (916) 446-7517
robertm@sscal.com

Keith Nezaam, *Department of Finance*

915 L Street, 8th Floor, Sacramento, CA 95814
Phone: (916) 445-8913
Keith.Nezaam@dof.ca.gov

Andy Nichols, *Nichols Consulting*

1857 44th Street, Sacramento, CA 95819
Phone: (916) 455-3939
andy@nichols-consulting.com

Christian Osmena, *Department of Finance*

915 L Street, Sacramento, CA 95814
Phone: (916) 445-0328
christian.osmena@dof.ca.gov

Keith Petersen, *SixTen & Associates*

Claimant Representative

P.O. Box 340430, Sacramento, CA 95834-0430
Phone: (916) 419-7093
kbsixten@aol.com

Sandra Reynolds, *Reynolds Consulting Group, Inc.*

P.O. Box 894059, Temecula, CA 92589
Phone: (951) 303-3034
sandrareynolds_30@msn.com

Kathy Rios, *State Controller's Office*

Division of Accounting and Reporting, 3301 C Street, Suite 700, Sacramento, CA 95816

Phone: (916) 324-5919

krios@sco.ca.gov

Nicolas Schweizer, *Department of Finance*

Education Systems Unit, 915 L Street, 7th Floor, 915 L Street, 7th Floor, Sacramento, CA 95814

Phone: (916) 445-0328

nicolas.schweizer@dof.ca.gov

David Scribner, *Max8550*

2200 Sunrise Boulevard, Suite 240, Gold River, CA 95670

Phone: (916) 852-8970

dscribner@max8550.com

Jim Spano, Chief, Mandated Cost Audits Bureau, *State Controller's Office*

Division of Audits, 3301 C Street, Suite 700, Sacramento, CA 95816

Phone: (916) 323-5849

jspano@sco.ca.gov

Dennis Speciale, *State Controller's Office*

Division of Accounting and Reporting, 3301 C Street, Suite 700, Sacramento, CA 95816

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