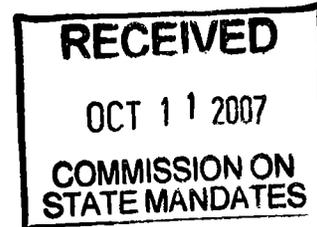




**JOHN CHIANG**  
California State Controller

October 10, 2007



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

Michael Johnston  
Assistant Superintendent of Business Services  
Clovis Unified School District  
1450 Herndon Avenue  
Clovis, CA 93611-0599

Keith B. Petersen, President  
SixTen and Associates  
5252 Balboa Avenue, Suite 807  
San Diego, CA 92117

**Re: State Controller's Office Response to Incorrect Reduction Claim**

*Graduation Requirements, 05-4435-I-50*  
Clovis Unified School District  
Education Code Section 51225.5  
Statutes of 1983, Chapter 498  
Fiscal Years 1998-99, 1999-2000, 2000-01, 2001-02

Dear Ms. Higashi, Mr. Johnston, and Mr. Petersen:

This letter constitutes the response of the State Controller's Office (SCO) to the Incorrect Reduction Claim (IRC) of Clovis Unified School District. Enclosed are the required copies of supporting documentation along with the Division of Audits' response to the IRC. A proof of service is also included, as required by regulation.

The IRC was based on our final report issued on October 22, 2004, which we revised on September 30, 2005. The dollar adjustment in the second report did not change. The entire claimed costs, totaling \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim) were determined to be unallowable.

On April 30, 2007, subsequent to the district filing an IRC, we issued a second revised final report to allow a portion of staffing and supply costs claimed as a result of the Commission on State Mandates' adoption of our reevaluation concerning the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. Commission on State Mandates et al., Case No. 03CS01401. Of the claimed \$8,053,465, our audit disclosed that \$4,116,233 is allowable and \$3,937,232 is unallowable. The unallowable costs occurred because the district

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Paula Higashi  
Michael Johnston  
Keith B. Petersen

-2-

October 10, 2007

claimed unsupported staffing and supply costs and did not provide board certifications for construction costs. For a complete discussion, see Tab 2 of the SCO response.

We believe the revised final report dated April 30, 2007, complies with the court ruling. Therefore, the IRC should be rejected.

Sincerely,



**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

Enclosures

6364

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

## DECLARATION OF SERVICE BY MAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 300 Capitol Mall, Suite 418, Sacramento, California 95814.

October 10, 2007, I served the:

**Re: State Controller's Office Response to Incorrect Reduction Claim**

*Graduation Requirements, 05-4435-I-50*

Clovis Unified School District

Education Code Section 51225.5

Statutes of 1983, Chapter 498

Fiscal Years 1998-99, 1999-2000, 2000-01, 2001-02

By placing a true copy thereof in an envelope addressed to:

Paula Higashi

Executive Director

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

Michael Johnston

Assistant Superintendent of Business Services

Clovis Unified School District

1450 Herndon Avenue

Clovis, CA 93611-0599

Keith B. Petersen, President

SixTen and Associates

5252 Balboa Avenue, Suite 807

San Diego, CA 92117

And by sealing and depositing said envelope with Golden State Overnight mail at Sacramento, California, with postage thereon fully paid.

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 10, 2007, at Sacramento, California.

  
Sue Raspberry

**RESPONSE BY THE STATE CONTROLLER'S OFFICE  
TO THE INCORRECT REDUCTION CLAIM BY  
CLOVIS UNIFIED SCHOOL DISTRICT  
Graduation Requirements Program**

**Table of Contents**

<b><u>Description</u></b>	<b><u>Page</u></b>
<b>State Controller's Office's Response to District Comments</b>	
Declaration .....	Tab 1
State Controller's Office (SCO) Analysis and Response .....	Tab 2
SCO Revised Audit Report (April 30, 2007) .....	Tab 3
SCO Claiming Instructions (updated September 1996) .....	Tab 4
SCO Payment Report—FY 1998-99 .....	Tab 5
SCO Payment Report—FY 2000-01 .....	Tab 6
SCO Audit Notification Letter (November 18, 2002).....	Tab 7
<b>Attachment – District's Comments</b>	
Incorrect Reduction Claim (September 6, 2005)	
SCO Letter (July 15, 2004) .....	Exhibit A
Commission on State Mandates Order (May 26, 2005) .....	Exhibit B
Parameters and Guidelines (amended January 24, 1991).....	Exhibit C
SCO Claiming Instructions (updated September 1993) .....	Exhibit D
SCO Audit Report (October 22, 2004).....	Exhibit E
District's Response to SCO Draft Audit Report (March 19, 2004).....	Exhibit F
District's Letter (June 20, 2005).....	Exhibit G
District's Letter (March 30, 2005).....	Exhibit H
District's Reimbursement Claims for FY 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02.....	Exhibit I

# TAB 1

1 **OFFICE OF THE STATE CONTROLLER**  
300 Capitol Mall, Suite 1850  
2 Sacramento, CA 94250  
Telephone No.: (916) 445-6854  
3

4  
5 **BEFORE THE**  
6 **COMMISSION ON STATE MANDATES**  
7 **STATE OF CALIFORNIA**  
8

9  
10 INCORRECT REDUCTION CLAIM ON:

11 *Graduation Requirements Program*

12 Chapter 498, Statutes of 1983

13 CLOVIS UNIFIED SCHOOL DISTRICT,  
14 Claimant  
15

No.: CSM 05-4435-I-50

AFFIDAVIT OF BUREAU CHIEF

16 I, Jim L. Spano, make the following declarations:

- 17 1) I am an employee of the State Controller's Office (SCO) and am over the age of 18  
18 years.
- 19 2) I am currently employed as a bureau chief, and have been so since April 21, 1998.
- 20 3) I am a California Certified Public Accountant.
- 21 4) I reviewed the work performed by the SCO auditor.
- 22 5) Any attached copies of records are true copies of records, as provided by the Clovis  
23 Unified School District or retained at our place of business.
- 24 6) The records include claims for reimbursement, with attached supporting documentation,  
25 explanatory letters, or other documents relating to the above-entitled Incorrect  
Reduction Claim.

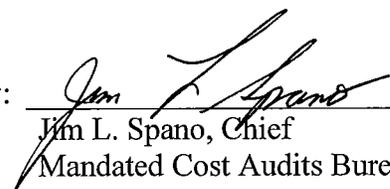
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7) A field audit for fiscal year (FY) 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02 claims commenced on November 18, 2002, and ended on April 21, 2003.

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: September 24, 2007

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 CLAIM BY  
CLOVIS UNIFIED SCHOOL DISTRICT  
For Fiscal Year (FY) 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02**

**Graduation Requirements Program  
Chapter 498, Statutes of 1983**

**SUMMARY**

The following is the State Controller's Office (SCO) response to the Incorrect Reduction Claim (IRC) that the Clovis Unified School District filed with the Commission on State Mandates (CSM) on September 6, 2005. The SCO audited the district's claims for costs of the legislatively mandated Graduation Requirements Program for the period of July 1, 1998, through June 30, 2002. The SCO issued its final report on October 22, 2004 (**Exhibit E**), and revised it on September 30, 2005. The dollar adjustment in the second report did not change. The only change related to a correction of the funding of construction costs by the district. The entire claimed costs, totaling \$8,053,465, were determined to be unallowable.

On April 30, 2007, subsequent to the district filing an incorrect reduction claim (IRC), the SCO issued a revised final report (**Tab 3**) to allow a portion of staffing and supply costs claimed as a result of the CSM's adoption of our reevaluation concerning the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. Commission on State Mandates et al., Case No. 03CS01401.

The district submitted reimbursement claims totaling \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim) for FY 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02 as follows:

- FY 1998-99—\$3,345,091 (**Exhibit I**)
- FY 1999-2000—\$2,452,070 (**Exhibit I**)
- FY 2000-01—\$1,114,303 (**Exhibit I**)
- FY 2001-02—\$1,142,001 (**Exhibit I**)

Of the claimed \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim), our audit disclosed that \$4,116,233 is allowable and \$3,937,232 is unallowable. The unallowable costs occurred because the district claimed unsupported staffing and supply costs and did not provide board certifications for construction cost. The State paid the district \$5,787,494. The amount paid exceeded allowable costs claimed by \$1,671,261. The following table summarizes the audit results.

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 1998, through June 30, 1999</u>			
Salaries and benefits	\$ 554,076	\$ 805,135	\$ 251,059
Materials and supplies	70,450	13,128	(57,322)
Contracted services	<u>2,679,035</u>	—	<u>(2,679,035)</u>
Total direct costs	3,303,561	818,263	(2,485,298)
Indirect costs	<u>42,530</u>	<u>55,478</u>	<u>12,948</u>
Total direct and indirect costs	3,346,091	873,741	(2,472,350)
Less late claim penalty	<u>(1,000)</u>	<u>(1,000)</u>	—
Total program costs	<u>\$ 3,345,091</u>	872,741	<u>\$(2,472,350)</u>
Less amount paid by the State		<u>(3,345,091)<sup>1</sup></u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (2,472,350)</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 1,482,352	\$ 916,328	\$ (566,024)
Materials and supplies	165,242	35,937	(129,305)
Contracted services	<u>698,206</u>	—	<u>(698,206)</u>
Total direct costs	2,345,800	952,265	(1,393,535)
Indirect costs	<u>106,270</u>	<u>61,421</u>	<u>(44,849)</u>
Total program costs	<u>\$ 2,452,070</u>	1,013,686	<u>\$(1,438,384)</u>
Less amount paid by the State		<u>(202,717)<sup>1</sup></u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 810,969</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 955,872	\$ 1,008,130	\$ 52,258
Materials and supplies	<u>87,190</u>	<u>10,128</u>	<u>(77,062)</u>
Total direct costs	1,043,062	1,018,258	(24,804)
Indirect costs	<u>71,241</u>	<u>69,547</u>	<u>(1,694)</u>
Total program costs	<u>\$ 1,114,303</u>	1,087,805	<u>\$(26,498)</u>
Less amount paid by the State		<u>(1,114,303)<sup>1</sup></u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (26,498)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 1,022,501	\$ 1,080,846	\$ 58,345
Materials and supplies	<u>47,189</u>	<u>12,761</u>	<u>(34,428)</u>
Total direct costs	1,069,690	1,093,607	23,917
Indirect costs	<u>72,311</u>	<u>73,928</u>	<u>1,617</u>
Total direct and indirect costs	1,142,001	1,167,535	25,534
Less allowable costs that exceed claimed <sup>2</sup>	<u>—</u>	<u>(25,534)</u>	<u>(25,534)</u>
Total program costs	<u>\$ 1,142,001</u>	1,142,001	<u>\$ —</u>
Less amount paid by the State		<u>(1,125,383)<sup>1</sup></u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,618</u>	

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>Summary: July 1, 1998, through June 30, 2002</u>			
Salaries and benefits	\$ 4,014,801	\$ 3,810,439	\$ (204,362)
Materials and supplies	370,071	71,954	(298,117)
Contracted services	3,377,241	—	(3,377,241)
Total direct costs	7,762,113	3,882,393	(3,879,720)
Indirect costs	292,352	260,374	(31,978)
Total direct and indirect costs	8,054,465	4,142,767	(3,911,698)
Less late claim penalty	(1,000)	(1,000)	—
Less allowable costs that exceed claimed	—	(25,534)	(25,534)
Total program costs	<u>\$ 8,053,465</u>	4,116,233	<u>\$(3,937,232)</u>
Less amount paid by the State		<u>(5,787,494)<sup>1</sup></u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(1,671,261)</u>	

<sup>1</sup> Payment information is based on amount paid when the final report was issued.

The district's IRC contests all audit adjustments to salary and benefit and the related indirect costs claimed, as well as all audit adjustments to materials and supplies and contract services costs. In addition, the district believes that the SCO was not authorized to audit FY 1998-99 and FY 1999-2000 and also failed to report the correct state payment amounts for FY 1998-99 and FY 2000-01.

The SCO issued a final revised audit report on April 30, 2007, allowing audit adjustments relating to the district's staffing and supply costs (**Tab 3**).

**I. SCO REBUTTAL TO STATEMENT OF DISPUTE—  
CLARIFICATION OF REIMBURSABLE ACTIVITIES, CLAIM CRITERIA,  
AND DOCUMENTATION REQUIREMENTS**

**Parameters and Guidelines**

On November 20, 1986, the Commission on State Mandates (CSM) determined that Education Code section 51225.3 as added by 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 March 23, 1988, and subsequently amended them on August 24, 1988, and January 24, 1991. The following represents an excerpt of the January 24, 1991, amended parameters and guidelines that are applicable for FY 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02.

Section I, Summary of the Mandate, states:

Chapter 498, Statutes of 1983, added Section 51225.3 to the Education Code. This section requires that beginning with the 1986/87 school year, no pupil shall receive a high school diploma without completing an additional science course above that which was required prior to enactment of Chapter 498/83. One year of science was required prior to Chapter 498/83

and as a result of Chapter 498/83 two science courses are now required. Chapter 498/83 further specifies that the curriculum include one course each of biological and physical sciences.

Section III (amended July 22, 1993) identifies eligible claimants as follows.

All school districts that incurred increased costs as a result of implementing Chapter 498, Statutes of 1983, Education Code Section 51225.3.

Section V identifies reimbursable activities as follows.

School Districts will be reimbursed for increased costs incurred in providing the additional science course mandated by Chapter 498/83, such as:

- A. Acquisition of additional space and equipment necessary for conducting new science classes, providing that space is lacking in existing facilities. However, the acquisition of additional space for conducting new science classes are reimbursable only to the extent that districts can document that this space would not have been otherwise acquired due to increases in the number of students enrolling in high school, and that it was not feasible, or would be more expensive, to acquire space by remodeling existing facilities.
- B. Remodeling existing space to accommodate the new science class and lab including costs of design, renovation, and special lab equipment and outlets essential to maintaining a level of instruction sufficient to meet college admission requirements.
- C. Increased cost to school district for staffing and supplying the new science classes mandated.

Section VII identifies professional and consulting services as follows.

Claimants shall separately show the name of professionals or consultants, specify the functions which the consultants performed relative to the mandate, length of appointment, and the itemized costs for such services. Invoices must be submitted as supporting documentation with the claim. The maximum reimbursable fee for contracted services is \$65 per hour, adjusted annually by the GNP Deflator. Those claims which are based on annual retainers shall contain a certification that the fee is no greater than the above maximum. Reasonable expenses will also be paid as identified on the monthly billings of consultants.

Section IX describes the supporting data that must be maintained as follows.

- A. Documentation of increased units of science course enrollments due to the enactment of Education Code Section 51225.3 necessitating such an increase.
- B. Documentation of lack of appropriately configured and equipped space in existing facilities for the new courses.
- C. Certification by the Board that an analysis of all appropriate science facilities within the district was conducted, and a determination made that no such facilities existed to reasonably accommodate increased enrollment for the additional science courses required

by the enactment of Education Code Section 51225.3. To reasonably accommodate includes:

- a. Adjusting attendance boundaries to balance attendance between under-utilized and over-utilized secondary school facilities within the district.
  - b. Taking advantage of other available secondary school science facilities that are within a secure walking distance of the school.
- D. Documentation that the additional space for conducting new science classes is required only when the space would not have otherwise been acquired due to an increase in high school enrollment.
- E. Documentation that remodeling existing facilities was not feasible or would have been more expensive than acquiring additional space.

### **SCO Claiming Instructions**

In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs. The SCO issued revised claiming instructions for Chapter 498 Statutes of 1983 in September 1993 (**Exhibit D**) and modified them in September 1996 (**Tab 4**). The September 1993 version is believed to be, for the purposes and scope of the audit period, substantially similar to the version extant at the time the district filed its FY 1998-99, FY 1999-2000, FY 2000-01, and FY 2001-02 reimbursement claims.

## **II. THE DISTRICT CLAIMED UNALLOWABLE SALARY AND BENEFIT COSTS, AND RELATED INDIRECT COSTS FOR THE MANDATE PROGRAM**

### **Issue**

For the audit period, the district claimed unallowable salary and benefit costs totaling \$204,362. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, totaled \$12,140.

### **SCO Analysis:**

In a prior audit report dated September 30, 2005, the SCO stated that the district did not provide documentation substantiating the allowability of claimed salary and benefit costs totaling \$4,014,801 for the audit period. The related indirect costs were \$267,751. On July 28, 2006, the CSM directed the SCO to reconsider the audit adjustments in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. CSM et al., Case No. 03CS01401. As a result, the SCO reevaluated the claims based on information the district provided, using a quarter class load methodology that considered staffing needed to teach the additional year of science and costs funded by restricted resources. Consistent with the CSM interpretation of the court's decision, the SCO did not consider offsetting savings without evidence of a direct relationship between the implementation of the mandate and reduction in non-science classes. The SCO's

recalculation for the audit period resulted in a reduction of the audit adjustments by \$3,810,439 in salary and benefit costs and \$255,611 in related indirect costs.

Based on the recalculation using the quarter class load method, the district overstated salaries and benefits, and related indirect costs by \$216,502 as follows.

	Fiscal Year				Total
	1998-99	1999-2000	2000-01	2001-02	
Salaries and benefits	\$ 251,059	\$ (566,024)	\$ 52,258	\$ 58,345	\$ (204,362)
Indirect costs	16,856	(36,509)	3,569	3,944	(12,140)
Total adjustment	<u>\$ 267,915</u>	<u>\$ (602,533)</u>	<u>\$ 55,827</u>	<u>\$ 62,289</u>	<u>\$ (216,502)</u>

The parameters and guidelines require that, beginning with the 1986-87 school year, no pupil is to receive a high school diploma without completing an additional science course above that which was required prior to enactment of Chapter 498, Statutes of 1983. Previously, one science course was required. As a result of this mandate, two science courses, one each of biological and physical sciences, are now required. The costs incurred for providing the additional science course, net of savings that a district experiences as a direct result, are subject to reimbursement under this mandate. Consequently, only net increased costs of the additional biological or physical science courses taught are reimbursable.

The parameters and guidelines state that reimbursable costs consist of the increased costs to the school district for staffing and supplying the additional mandated science course. Furthermore, the guidelines state that reimbursement for this mandate received from any source (e.g., federal, state, and block grants) is to be identified and deducted.

### District's Response

The Controller asserts that the "district did not provide documentation substantiating the allowability of claimed salaries and benefits" of \$4,014,801 and related indirect costs of \$267,751 for the four years audited. These costs were disallowed for two reasons.

#### "Offsetting Savings"

The threshold reason for the adjustments was the Controller's insistence that increasing the science curriculum would result in "offsetting savings" from the other curriculum. The Controller asserts that the "district did not support the lack of offsetting savings." As a result of this alleged failure to justify offsetting savings in the form of reduction in non-science course costs, the Controller concluded that "none of the claimed costs is reimbursable."

#### Staff Reductions

Second, as a method to force the offsetting savings, the Controller referenced Education Code Section 44955, which authorizes districts to layoff teachers when state law requires modification of the curriculum. The Controller concluded there from that if "a school district has the authority to layoff a non-science teacher to meet the salary of a new science teacher, the district is not required to incur additional costs under the mandate, other than the

differential in pay rate,” and that the District had somehow “voluntarily assumed the increased salary cost of a new (science) teacher because the increased cost could have been avoided by exercising its statutory layoff authority.”

Both of these reasons were specifically rejected by the Sacramento court decision of which this District was a party and the court decision was not appealed by the State. Since no other of fact or law not dependent on the premise of offsetting savings were cited by the Controller, the audit adjustments no longer have any basis and are void.

#### SCO's Comment

The SCO reconsidered the audit adjustments of the previously unallowable salary and benefit costs of \$4,282,552 as a result of the court's decision of the San Diego Unified School District et al. v. CSM case. We reconsidered the audit adjustments subsequent to the district filing this IRC. Based on the additional documentation provided by the district, the SCO recalculated allowable costs for the audit period using the quarter class load method, which measures the increased costs incurred for providing the additional science course. Consequently, the SCO determined that \$4,066,050 is eligible for reimbursement. The remaining balance of \$216,502 is still unallowable. This amount is reflected in the revised final audit report, dated April 30, 2007.

### **III. THE DISTRICT CLAIMED UNALLOWABLE MATERIALS AND SUPPLIES COSTS, AND RELATED INDIRECT COSTS FOR THE MANDATE PROGRAM**

#### Issue

For the audit period, the district claimed unallowable materials and supplies costs totaling \$298,117. The related indirect costs were \$19,838.

#### SCO Analysis:

In a prior audit report dated September 30, 2005, the SCO stated that the district did not provide documentation substantiating the allowability of claimed materials and supplies costs totaling \$370,071 for the audit period. The related indirect costs were \$24,601. On July 28, 2006, the CSM directed the SCO to reconsider the audit adjustments in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. CSM et al., Case No. 03CS01401. As a result, the SCO reevaluated the claims using the quarter class load method. This method converts teacher staffing to number of classes taught. The increased classes are then multiplied by the average allocation for materials and supplies given to all science classes, net of science material and supply costs funded by restricted resources. The district only provided science material and supply costs funded with unrestricted resources. The SCO's recalculation for the audit period resulted in a reduction of the audit adjustments by \$76,717 in material and supply costs.

Based on the recalculation using the quarter class load method, the district overstated materials and supplies, and related indirect costs by \$317,955 as follows.

	Fiscal Year				Total
	1998-99	1999-00	2000-01	2001-02	
Salaries and benefits	\$ (57,322)	\$ (129,305)	\$ (77,062)	\$ (34,428)	\$ (298,117)
Indirect costs	(3,908)	(8,340)	(5,263)	(2,327)	(19,838)
Total adjustment	<u>\$ (61,230)</u>	<u>\$ (137,645)</u>	<u>\$ (82,325)</u>	<u>\$ (36,755)</u>	<u>\$ (317,955)</u>

The parameters and guidelines require that, beginning with the 1986-87 school year, no pupil is to receive a high school diploma without completing an additional science course above that which was required prior to enactment of Chapter 498, Statutes of 1983. Previously, one science course was required. As a result of this mandate, two science courses, one each of biological and physical sciences, are now required. The costs incurred for providing the additional science course, net of savings a district experiences as a direct result, are subject to reimbursement under this mandate. Consequently, only net increased costs of the additional biological or physical science courses taught are reimbursable.

The parameters and guidelines state that reimbursable costs consist of the increased costs to the school district for staffing and supplying the additional mandated science course. Furthermore, the guidelines state that reimbursement for this mandate received from any source (e.g., federal, state, and block grants) is to be identified and deducted.

#### District's Response

The Controller disallowed \$370,071 in science course materials and supplies direct costs and related indirect costs of \$24,601 because the "district did not provide documentation substantiating the allowability of claimed materials and supplies."

#### "Offsetting Savings"

The Controller references Finding 1 regarding the offsetting savings audit adjustment rationale. Then here, for Finding 2, the Controller applies the offsetting savings standard to materials and supplies, when it concludes that the "district did not identify or report any offsetting savings of materials and supplies due to reduction of non-science courses: nor "support the lack of offsetting savings." Since the Controller has asserted this as the threshold reason for the adjustment, and the court has rejected this standard, the adjustments are void.

#### Calculation of Increased Costs

The audit report criticizes the method the District used to claim increased materials and supplies cost, all of which is based on the premise that district failed to "support that the average materials and supplies for a science course exceeded the average materials and supplies for a non-science course during the audit period." The Controller apparently wants to establish a new cost accounting standard which would only reimburse the science course supplies if these costs are on the average cost more than the supplies for non-science courses. Nothing in the legislation, the Education Code, or the parameters and guidelines establishes this cost accounting standard. The Controller's audit finding based on this unpublished standard which exceeds the parameters and guidelines is not enforceable absent rulemaking which would put the claimants on notice pursuant to the Administrative Procedure Act.

### Supporting Data for Claiming

The audit report states that the District did not “support” claimed materials and supplies costs of \$128,321 for the four years. There are no documentation requirements in the parameters and guidelines for materials and supplies. The District properly recorded these costs in their general and subsidiary ledgers in the manner specified by the state for financial reporting. The amounts relevant to science courses were reported in the claim. Thus, the District has provided documentation generated in the usual course of business as well as generated for the purpose of claiming mandate reimbursement. The Controller’s insistence on other forms of documentation is ministerial preference, is an unpublished standard which exceeds the parameters and guidelines, and is not enforceable absent rulemaking which would put the claimants on notice pursuant to the Administrative Procedure Act.

### “Non-Science Costs”

The audit report states that the District claimed \$38,544 of “non-science” textbooks, materials and duplicated costs. Whether the costs are science-related requires specific information on the nature of the expenditures and how the Controller’s auditor was able to make the qualitative decision regarding how the textbooks and materials were used. The audit report does not provide the facts needed to evaluate the propriety of the Controller’s conclusions regarding these costs. The Controller concludes that other costs reported were “duplicate” as a finding of fact, but since no facts were presented in the audit report, the propriety of these adjustments cannot be determined.

### “Other Reimbursements”

The Controller also alleges that \$178,517 in “reimbursements from other programs related to costs claimed” should have been used to reduce the claimed costs. The “other programs” enumerated in the audit report are: School Facility Program, Science Laboratory Material Funds, Special education, Title VI, and Gifted and Talented. The audit report does not provide any information regarding the specific fund amounts, how they directly “relate” to the science program, what portion of these program funds are properly apportioned to the increased science curriculum costs claimed as opposed to the portion of science materials and supply costs not claimed, or if these funds were intended by the source agency providing the funds to specifically mitigate the increased costs which result from Chapter 498, Statutes of 1983 as it pertains to increased science curriculum costs.

### Unreasonable or Excessive

None of the adjustments were made because the costs claimed were excessive or unreasonable. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated costs 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 costs reimbursement, the Controller should comply with the Administrative Procedure Act.

### SCO's Comment

The SCO reconsidered the audit adjustments of the previously unallowable material and supply costs of \$394,672 as a result of the court's decision of the San Diego Unified School District et al. v. CSM case. We reconsidered the audit adjustments subsequent to the district filing this IRC. Based on the additional documentation provided by the district, the SCO recalculated allowable costs for the audit period using the quarter class load method. Consequently, the SCO determined that \$76,717 is eligible for reimbursement. The remaining balance of \$317,955 is still unallowable. This amount is reflected in the revised final audit report, dated April 30, 2007.

## **IV. THE DISTRICT CLAIMED UNALLOWABLE CONTRACTED SERVICES COSTS FOR THE MANDATE PROGRAM**

### Issue

For the audit period, the district claimed unallowable contracted services costs for construction projects totaling \$3,377,241.

### SCO Analysis:

The district did not provide documentation to substantiate the allowability of contracted services costs claimed for the construction projects of four high schools: Clovis, Clovis West, Clovis East, and the Center for Advanced Research and Technology. Moreover, the district did not provide a board certification, approved in advance of the construction projects, to demonstrate that the construction or remodeling was carefully thought out and that no reasonable alternatives existed. The board approval for these projects occurred three to four years after construction, failing to meet the requirements of the mandate.

In addition, the district funded approximately 50% of the construction costs with School Facility Program funds.

The parameters and guidelines state that the acquisition of additional space for conducting new science courses is reimbursable only to the extent that districts can document that this space would not have been otherwise acquired due to increases in the number of students enrolling in high school, and that it was not feasible, or would be more expensive, to acquire space by remodeling existing facilities.

The parameters and guidelines state that the district must provide certification by the board that an analysis of all appropriate science facilities within the district was conducted, and a determination made that no such facilities existed to reasonably accommodate increased enrollment for the additional science courses required by the enactment of Education Code section 51225.3.

The parameters and guidelines state that reimbursement for this mandate received from any source, including, but not limited to, service fees collected, federal funds, and other state funds, is to be identified and deducted from this claim.

Total unallowable costs are shown as follows.

	Fiscal Year		Total
	1998-99	1999-2000	
Contract services	\$ (2,679,035)	\$ (698,206)	\$ (3,377,241)

District's Response

This finding pertains to the cost of construction, remodeling, and temporary classrooms required to provide an increased number of science classrooms. All claimed costs were disallowed due to insufficient documentation in support of a board certification. The Controller made no findings on the necessity or reasonableness of these costs. As a consequence of the Sacramento superior court case decision previously cited, the District does not dispute the adjustments in this finding. The District was a party to the case and several of the fiscal years which are the subject of this audit were included in the court case. The Court made specific findings on the issue of the type of board certifications required which apply to these costs.

However, the audit report erroneously stated that 100% of the construction financing was provided by state building funds. The district's annual reimbursement claims included only half of the construction costs, the portion funded by the District. The District sent a letter to the Controller on March 30, 2005 (attached as Exhibit "H") requesting that the Controller's audit report be corrected. Jim Spano, Chief, Compliance Audits Bureau, contacted the District by phone several weeks later stating that a corrected audit report would be issued. None was forthcoming. The district contacted Mr. Spano by phone on August 15, 2005, to again request the corrected audit report. Mr. Spano stated that a revised audit report would be issued soon. Absent a revised audit report, the Commission should make findings on this issue.

SCO's Comment

The district does not dispute this audit adjustment. However, the district requested the SCO to correct the amount of construction costs funded by the district in the original final audit report. The SCO reviewed the additional documentation provided by the district and properly reflected the change in the first revised final audit report issued on September 30, 2005. The change was also reflected in the second revised final audit report issued April 30, 2007.

**V. 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 FY 1998-99 and FY 2000-01.

SCO Analysis:

The State paid the district \$5,788,494 for the audit period. These amounts include cash payments and any outstanding accounts receivable offsets applied.

District's Response

This issue was not an audit finding. The payment received from the state is an integral part of the reimbursement calculation. The Controller changed some of the claimed payment amount received for some of the fiscal years without a finding in the audit report.

<u>Amount Paid by the State</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>
As Claimed	\$164,400	\$202,717	\$1,554,800	\$1,125,383
Audit Report	\$3,346,091	\$202,717	\$1,114,303	\$1,125,383

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

SCO's Comment

The SCO correctly reported the amounts paid by the State to the district in the audit report dated October 28, 2004 (**Exhibit D**) and the revised audit report dated April 30, 2007 (**Tab 3**). The following table identifies the amounts in question.

<u>Amount Paid by the State</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>
As Claimed	\$164,400	\$202,717	\$1,554,800	\$1,125,383
Audit Report	\$3,346,091	\$202,717	\$1,114,303	\$1,125,383
Difference	\$3,181,691	\$0	(\$440,497)	\$0

The difference represents amounts paid from the State to the district. For the FY 1998-99 claim, the district did not recognize three payments: \$166,319 issued on March 12, 1999, by warrant no. MA81713E; \$3,081 issued on June 22, 1999, by warrant no. MA80729E; \$3,150,443 issued on January 30, 2001, by warrant no. MA01324X; and \$25,248 offsets made from another mandate claim for \$25,248 (**Tab 5**). For the FY 1999-2000 claim, the district did not recognize the recovered portion of the \$466,955 accounts receivable totaling \$440,497 (**Tab 6**).

## VI. STATUTE OF LIMITATIONS FOR AUDIT

### Issue

Based on the statute of limitations for audit, the district believes the SCO had no authority to assess audit adjustments for FY 1998-99 and FY 1999-2000.

### SCO Analysis:

Government Code section 17558.5, subdivision (a), effective July 1, 1996, states that a district's reimbursement claim is subject to audit no later than two years after the end of the calendar year in which the claim is filed or last amended. However, if no funds are appropriated for the program or the fiscal year for which the claim is made, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

The district filed its FY 1998-99 claim on December 27, 2000, and its FY 1999-2000 on December 29, 2000. Therefore, both claims were subject to audit until December 31, 2002. The SCO initiated the audit on November 1, 2002, and conducted an audit entrance conference on November 18, 2002.

### District's Response

This issue is not an audit finding of the Controller. The District asserts that the first two years of the four claim years audited, fiscal years 1998-99 and 1999-00, were beyond the statute of limitations for audit when the Controller issued its audit report on October 22, 2004. The District raised this issue at the beginning of the audit and in its letter dated March 19, 2004 in response to the draft audit report.

### Chronology of Claim Action Dates

December 29, 2000	FY 1999-00 claim filed by the District (certified mail)
January 8, 2001	FY 1998-99 claim filed by the District (certified mail)
November 18, 2002	Entrance conference
December 31, 2002	FY 1999-00 statute of limitations for audit expires
December 31, 2003	FY 1998-99 statute of limitations for audit expires
October 22, 2004	Controller's final audit report issued

The District's FY 1998-99 claim was mailed to the Controller on January 8, 2001 (late filing). The district's FY 1999-00 claim was mailed to the controller on December 29, 2000. According to Government Code Section 17558.5, these claims were subject to audit no later than December 31, 2003, and December 31, 2002, respectively. The audit was not completed by this date. Therefore, the proposed audit adjustments for FY 1998-99 and FY 1999-00 are barred by the statute of limitations set forth in Government Code Section 17558.5.

In the final audit report, the Controller stated that “(t)he SCO initiated an audit within this time period by an entrance conference held on November 18, 2002.” The Controller considers an audit “initiated” on the date of the entrance conference. Thus, the Controller is thus asserting that date when the audit was “initiated” is relevant to the period of limitations, and not the date of the audit report. In any case, a review of the legislative history of Government Code Section 17558.5 indicates that the matter of the audit “initiation” date is not relevant to any of the fiscal year claims which are the subject of this audit.

### Statutory History

Prior to January 1, 1994, no statute specifically governed the statute of limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906, Section 2, operative January 1, 1994, added Government Code Section 17558.5 to establish for the first time a specific statute of limitations for audit of mandate reimbursement claims:

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

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

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

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

All four fiscal period claims which are the subject of the audit are subject to the two-year statute of limitations established by Chapter 945/95. The first two years, FY 1998-99 and FY 1999-00 were no longer subject to audit when the audit report was issued. However, the last two years, FY 2000-01 and FY 2001-02 were subject to audit until December 31, 2004. Since funds were appropriated for the program for all the fiscal years which are the subject of the audit, the alternative measurement date is not applicable, and the potential factual issue of when the audit is initiated is not relevant.

Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003 amended Section 17558.5 to state:

“(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the ~~end of the calendar year in which the~~ date that the actual reimbursement claim is filed or last amended, whichever is later. However, if

no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is ~~made~~ filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.”

None of the fiscal period claims which are the subject of the audit are subject to this amended version of Section 17558.5. The amendment is pertinent since it indicates this is the first time that the factual issue of the date the audit is “initiated” for mandate programs for which funds are appropriated is introduced. Therefore, at the time the claim is filed, it is impossible for the claimant to know when the statute of limitations will expire, which is contrary to the purpose of a statute of limitations.

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

“(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.”

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

#### Initiation of An Audit

The audit report states the Controller’s staff “initiated” the audit with the entrance conference on November 18, 2002. Initiation of the audit is not relevant to the annual claims which are the subject of this incorrect reduction claim. The words “initiate an audit” are used only in the second sentence of Section 17558.5, that is, in a situation when no funds are appropriated for the program for the fiscal year for which the claim is made. Then, and only then, is the Controller authorized to “initiate an audit” within two years from the date of initial payment. The claim at issue here was not subject to the “no funds appropriated” provision, they were subject only to the first sentence of the statute, i.e., they were only “subject to audit” through December 2002 and 2003.

The unmistakable language of Section 17558.5 is confirmed by the later actions of the Legislature. Chapter 1128, Statutes of 2002, amended subdivision (a) of Government Code Section 17558.5 to change the “subject to audit” language of the first sentence to “subject to the initiation of an audit.” Had the Legislature intended the former Section to mean “subject to the initiation of an audit,” there would have been no need to amend the statute to later say “subject to the initiation of an audit.”

The Controller did not complete the audit within the statutory period allowed for the FY 1998-99 and FY 1999-00 claims. The date the audit was “initiated” is not relevant, only

the date the audit was completed as evidenced by the Controller's audit report. The audit findings are therefore void for those two claims.

### SCO's Comment

The district believes that the audit initiation date is not relevant because the term "initiate an audit" is not specifically stated in the Government Code language applicable to these claims. Instead, the district believes the audit report date is relevant. In particular, the district believes that Chapter 890, Statutes of 2004, is pertinent because "it indicates this is the first time that the Controller audits may be completed at a time other than the stated period of limitations." This is an erroneous conclusion; before Chapter 890, Statutes of 2004, there was no statutory language defining when the SCO must complete an audit.

As of July 1, 1996, Government Code section 17558.5, subdivision (a), 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, subdivision (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." The SCO exercised its authority to audit the district's claims by conducting the audit entrance conference within the statute of limitations. There is no statutory language that requires the SCO to publish a final audit report before the two-year period expires.

As of January 1, 2003, Government Code section 17558.5, subdivision (a), was amended to state "A reimbursement claim . . . is subject to the initiation of an audit by the Controller no later than three years after the reimbursement claim is filed or last amended, whichever is later . . ." [Emphasis added.] While the amendment does not define the start of an audit, the phrase "initiation of an audit" implies the first step taken by the Controller. Construing the statutory language to permit the Controller's initial contact as the audit's initiation is consistent with the statutory language as well as subsequent amendments. To read the statute as requiring that the SCO publish a final audit report would be to read into the statute provisions that do not exist.

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. 4<sup>th</sup> 1093.) Here, the SCO exercised its authority to audit the district's claims by conducting the audit entrance conference on November 18, 2002, **(Tab 7)** well before the statute of limitations expired for FY 1998-99 claim of December 31, 2002, and FY 1999-2000 claim of December 31, 2003.

## VII. CONCLUSION

The SCO audited the Clovis Unified School District's claims for costs of the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2002. The district claimed \$8,054,465 (\$8,053,465 less \$1,000 in late filing) consisting of \$7,762,113 in direct costs and \$292,352 in related indirect costs.

In a original audit report dated October 22, 2004, and the first revised final report dated September 30, 2005, the SCO disclosed that the entire amount claimed is unallowable. On July 28, 2006, the CSM directed the SCO to reconsider the audit adjustments in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. CSM et al., Case No. 03CS01401. Consequently, the SCO reissued the audit report on April 30, 2007, to allow a portion of staffing and supply costs.

This response addresses the audit adjustments included in the revised final report of \$3,937,232 (\$8,053,465 less reinstated costs of \$4,116,233).

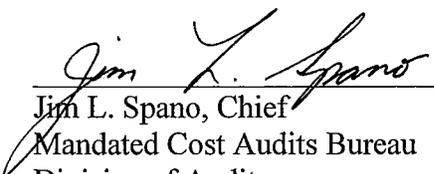
The SCO determined that \$4,116,233 is allowable and \$3,937,232 is unallowable. The unallowable costs occurred because the district claimed unsupported staffing and supply costs and did not provide board certifications for construction costs.

In conclusion, the CSM should find that: (1) the SCO had authority to audit FY 1998-99 and FY 1999-2000, (2) the SCO correctly reduced the district's FY 1998-99 claim by \$2,472,350, (3) the SCO correctly reduced the district's FY 1999-2000 claim by \$1,438,384, and (4) the SCO correctly reduced the district's FY 2000-01 claim by \$26,498.

## VIII. 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 September 24, 2007, at Sacramento, California, by:

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



# **CLOVIS UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **GRADUATION REQUIREMENTS PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1998, through June 30, 2002*



**JOHN CHIANG**  
California State Controller

April 2007



**JOHN CHIANG**  
California State Controller

April 30, 2007

Terry Bradley, Ed.D., Superintendent  
Clovis Unified School District  
1450 Herndon Avenue  
Clovis, CA 93611

Dear Dr. Bradley:

The State Controller's Office audited the claims filed by the Clovis Unified School District for costs of the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2002. This final report supersedes the final report issued September 30, 2005, in which the entire costs claimed were determined to be unallowable.

We are reissuing the report to allow a portion of staffing and supply costs claimed as a result of the Commission on State Mandates' adoption of our reevaluation concerning the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. Commission on State Mandates et al., Case No. 03CS01401.

The district claimed \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$4,116,233 is allowable and \$3,937,232 is unallowable. The unallowable costs occurred because the district claimed unsupported staffing and supply costs and did not provide board certifications for construction costs. The State paid the district \$5,787,494. The amount paid exceeds allowable costs claimed by \$1,671,261.

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

Sincerely,

*"Original signed by"*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/wm

cc: William C. McGuire

Associate Superintendent  
Administrative Services

Michael Johnston

Assistant Superintendent  
Business Services

Clovis Unified School District

Larry L. Powell

Fresno County Superintendent of Schools  
Fresno County Office of Education

Scott Hannan, Director

School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant

School Fiscal Services Division  
California Department of Education

Gerry Shelton, Director

Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit  
Department of Finance

# Contents

## Revised Audit Report

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

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Clovis Unified School District for costs of the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2002. The last day of fieldwork was April 21, 2003.

The district claimed \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$4,116,233 is allowable and \$3,937,232 is unallowable. The unallowable costs occurred because the district claimed unsupported staffing and supply costs and did not provide board certifications for construction costs. The State paid the district \$5,787,494. The amount paid exceeds allowable costs claimed by \$1,671,261.

## Background

*Education Code* Section 51225.3 (added by Chapter 498, Statutes of 1983) requires that beginning with the 1986-87 school year, no pupil shall receive a high school diploma without completing an additional science course above that which was required. The legislation was effective in fiscal year (FY) 1983-84; however, a district had up to three years to implement this requirement. Prior to enactment of Chapter 498, Statutes of 1983, one science course was required. As a result of this enactment, two science courses, one each of biological and physical sciences, are now required.

On November 20, 1986, the Commission on State Mandates (COSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate reimbursable under Government Code Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on March 23, 1988, and last amended it on January 24, 1991. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Graduation Requirements Program for the period of July 1, 1998, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain

reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Revised Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, Clovis Unified School District claimed \$8,053,465 (\$8,054,465 less a \$1,000 penalty for filing a late claim) for costs of the Graduation Requirements Program. Our audit disclosed that \$4,116,233 is allowable and \$3,937,232 is unallowable.

For the FY 1998-99 claim, the State paid the district \$3,345,091. Our audit disclosed that \$872,741 is allowable. The State will offset \$2,472,350 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the district \$202,717. Our audit disclosed that \$1,013,686 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$810,969, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the district \$1,114,303. Our audit disclosed that \$1,087,805 is allowable. The State will offset \$26,498 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

For the FY 2001-02 claim, the State paid the district \$1,125,383. Our audit disclosed that \$1,142,001 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$16,618, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a final report on October 22, 2004, and revised it on September 30, 2005. Both reports stated that all costs claimed were unallowable. Terry Bradley, Ed.D., Superintendent, responded to the draft report (issued February 26, 2004) on March 19, 2004, disagreeing with the audit results.

For unallowable teacher salary costs, the district stated that it was not required to provide an additional science course in lieu of a non-science course. The district stated that (1) it realized no offsetting savings and (2) there is no authority that requires the district to provide reasons why offsetting savings could not be realized.

For unallowable material and supply costs, the district stated that there are no requirements for the district to identify or report offsetting savings of materials and supplies due to the reduction of non-science classes.

For unallowable contracted services costs, the district stated that there is no authority that requires advance certification.

On July 28, 2006, the COSM directed the SCO to reconsider our position in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. COSM et al., Case No. 03CS01401. We contacted the district on October 12, 2006, to reevaluate the audit in light of the lawsuit. We reevaluated the claim based on information the district provided, using a quarter class load methodology that considered staffing needed to teach the additional year of science and costs funded by restricted resources. Consistent with the COSM interpretation of the court's decision, we did not consider offsetting savings without evidence of a direct relationship between the implementation of the mandate and reduction in non-science classes.

The district did not provide all of the documentation we needed for the reevaluation until the end of March 2007. At that time, the district requested that we issue this report as final to expedite the settlement of payment adjustments related to allowable costs. Therefore, we agreed to bypass issuing a revised draft report.

On April 16, 2007, Michael Johnston, Assistant Superintendent, Business Services, provided a written response for inclusion in this revised final report. The district did not respond to the validity of the recalculation. This revised final report includes the district's current response.

## **Restricted Use**

This report is solely for the information and use of Clovis Unified School District, the Fresno County Office of Education, the California Department of Education, the Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*"Original signed by"*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
Salaries and benefits	\$ 554,076	\$ 805,135	\$ 251,059	Finding 1
Materials and supplies	70,450	13,128	(57,322)	Finding 2
Contracted services	<u>2,679,035</u>	—	<u>(2,679,035)</u>	Finding 3
Total direct costs	3,303,561	818,263	(2,485,298)	
Indirect costs	<u>42,530</u>	<u>55,478</u>	<u>12,948</u>	Findings 1, 2
Total direct and indirect costs	3,346,091	873,741	(2,472,350)	
Less late claim penalty	<u>(1,000)</u>	<u>(1,000)</u>	—	
Total program costs	<u>\$ 3,345,091</u>	872,741	<u>\$(2,472,350)</u>	
Less amount paid by the State		<u>(3,345,091)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(2,472,350)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 1,482,352	\$ 916,328	\$ (566,024)	Finding 1
Materials and supplies	165,242	35,937	(129,305)	Finding 2
Contracted services	<u>698,206</u>	—	<u>(698,206)</u>	Finding 3
Total direct costs	2,345,800	952,265	(1,393,535)	
Indirect costs	<u>106,270</u>	<u>61,421</u>	<u>(44,849)</u>	
Total program costs	<u>\$ 2,452,070</u>	1,013,686	<u>\$(1,438,384)</u>	Findings 1, 2
Less amount paid by the State		<u>(202,717)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 810,969</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 955,872	\$ 1,008,130	\$ 52,258	Finding 1
Materials and supplies	<u>87,190</u>	<u>10,128</u>	<u>(77,062)</u>	Finding 2
Total direct costs	1,043,062	1,018,258	(24,804)	
Indirect costs	<u>71,241</u>	<u>69,547</u>	<u>(1,694)</u>	Findings 1, 2
Total program costs	<u>\$ 1,114,303</u>	1,087,805	<u>\$(26,498)</u>	
Less amount paid by the State		<u>(1,114,303)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (26,498)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 1,022,501	\$ 1,080,846	\$ 58,345	Finding 1
Materials and supplies	<u>47,189</u>	<u>12,761</u>	<u>(34,428)</u>	Finding 2
Total direct costs	1,069,690	1,093,607	23,917	
Indirect costs	<u>72,311</u>	<u>73,928</u>	<u>1,617</u>	Findings 1, 2
Total direct and indirect costs	1,142,001	1,167,535	25,534	
Less allowable costs that exceed claimed <sup>2</sup>	—	<u>(25,534)</u>	<u>(25,534)</u>	
Total program costs	<u>\$ 1,142,001</u>	1,142,001	<u>\$ —</u>	
Less amount paid by the State		<u>(1,125,383)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,618</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>Summary: July 1, 1998, through June 30, 2002</u>				
Salaries and benefits	\$ 4,014,801	\$ 3,810,439	\$ (204,362)	
Materials and supplies	370,071	71,954	(298,117)	
Contracted services	<u>3,377,241</u>	<u>—</u>	<u>(3,377,241)</u>	
Total direct costs	7,762,113	3,882,393	(3,879,720)	
Indirect costs	<u>292,352</u>	<u>260,374</u>	<u>(31,978)</u>	
Total direct and indirect costs	8,054,465	4,142,767	(3,911,698)	
Less late claim penalty	(1,000)	(1,000)	—	
Less allowable costs that exceed claimed	<u>—</u>	<u>(25,534)</u>	<u>(25,534)</u>	
Total program costs	<u>\$ 8,053,465</u>	4,116,233	<u>\$(3,937,232)</u>	
Less amount paid by the State		<u>(5,787,494)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$(1,671,261)</u>	

<sup>1</sup> See the Revised Findings and Recommendations section.

<sup>2</sup> *Government Code* Section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for fiscal year 2001-02 claims.

## Findings and Recommendations

### **FINDING 1— Unallowable salary and benefit costs, and related indirect costs**

In our prior audit report dated September 30, 2005, we stated that the district did not provide documentation substantiating the allowability of claimed salary and benefit costs totaling \$4,014,801 for the audit period. The related indirect costs were \$267,751.

Our prior report stated the following:

For FY 1998-99 and FY 1999-2000, the district claimed high school science teachers' salaries and benefits based on a formula that determined an incremental increase in the teachers as a result of the mandate. The district calculated the increase in the number of high school science teachers between the 1985-86 base year and claim years and reduced that amount by the percentage increase in high school enrollment for the same period. The district then multiplied that number by the claim year's average annual salaries and benefits of a high school science teacher.

The calculation made by the district for FY 1998-99 and FY 1999-2000 did not identify the courses taught in the base year for the one required high school science course or the courses taught in the claim years for the two required high school science courses. In addition, the calculation deducted the high school enrollment percentage from the percentage increase in the number of high school science teachers rather than deducting the portion of the percentage increase in science teachers that was related to enrollment growth. Consequently, the calculation did not measure the costs of teaching the additional high school biological or physical science courses in the claim years as a result of the mandate.

In addition, the district included salary and benefit costs of six non-physical/biological science teachers in FY 1998-99, and 22 middle school teachers and one non-physical/biological science teacher in FY 1999-2000. Only the increased salaries and benefits for teaching the additional high school biological or physical science courses in the claim years due to the mandate are reimbursable.

For FY 2000-01 and FY 2001-02, the district claimed high school science teachers' salaries and benefits based on a formula that determined the increase in high school courses as a result of the mandate. The district divided one-fourth of the total number of grade 9-12 pupils by the average science course size to arrive at the additional science courses required for the mandate. The district then divided the additional science courses by the number of daily courses taught per teacher to arrive at the increased science teachers required by the mandate. From that number, the district multiplied the increased science teachers by the claim years' average science teacher salaries and benefits. This methodology measured the teacher salaries and benefits related to the additional biological or physical science courses taught as a result of the mandate.

For the audit period, the district did not identify or report any offsetting savings of salaries and benefits due to the reduction of teachers in non-science courses as a result of the mandate. Furthermore, the district did not support the lack of offsetting savings. Consequently, none of the claimed costs are reimbursable.

On July 28, 2006, the Commission on State Mandates (COSM) directed the SCO to reconsider our position in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. COSM et al., Case No. 03CS01401. The COSM interpreted the court’s decision that we could only consider offsetting savings that directly result from the implementation of the mandate program. The COSM believes that the SCO cannot consider any offsetting savings without evidence of a direct relationship between the implementation of the mandate and reduction in non-science classes.

The quarter class load method used by the district in the last two fiscal years measures the increased costs incurred for providing the additional science course. The district provided us with additional documentation using this method to support its claimed costs. We recalculated allowable costs for the audit period using the quarter class load method described above. We then reduced the total cost by the portion of all science teachers funded by restricted resources, which during the audit period was zero. Our recalculation for the audit period resulted in a reduction of the audit finding by \$4,066,050, from \$4,282,552 to \$216,502.

*Parameters and Guidelines* requires that, beginning with the 1986-87 school year, no pupil is to receive a high school diploma without completing an additional science course above that which was required prior to enactment of Chapter 498, Statutes of 1983. Previously, one science course was required. As a result of this mandate, two science courses, one each of biological and physical sciences, are now required. The costs incurred for providing the additional science course, net of savings a district experiences as a direct result, are subject to reimbursement under this mandate. Consequently, only net increased costs of the additional biological or physical science courses taught are reimbursable.

*Parameters and Guidelines* states that reimbursable costs consist of the increased costs to the school district for staffing and supplying the additional mandated science course. Furthermore, the guidelines state that reimbursement for this mandate received from any source (e.g., federal, state, and block grants) is to be identified and deducted.

The following table shows the audit adjustment resulting from the recalculation of salaries and benefits, and related indirect costs using the quarter class load method.

	Fiscal Year				Total
	1998-99	1999-2000	2000-01	2001-02	
Salaries and benefits	\$ 251,059	\$ (566,024)	\$ 52,258	\$ 58,345	\$ (204,362)
Indirect costs	16,856	(36,509)	3,569	3,944	(12,140)
Total adjustment	\$ 267,915	\$ (602,533)	\$ 55,827	\$ 62,289	\$ (216,502)

Recommendation

We recommend that the district continue to apply a consistent methodology that identifies the additional staffing costs needed to provide the second year of science net of offsetting revenues.

District's Response

The district stated that it "reviewed the draft revised audit findings and has discussed with the auditor the proposed Controller's quarter load method of calculating allowable costs." The district did not respond to the validity of the recalculation.

SCO's Comment

The fiscal impact of the audit finding remains unchanged.

**FINDING 2—  
Unallowable materials  
and supplies costs, and  
related indirect costs**

In our prior audit report dated September 30, 2005, we stated that the district did not provide documentation substantiating the allowability of claimed materials and supplies costs totaling \$370,071 for the audit period. The related indirect costs were \$24,601. (See Finding 1 for a summary of *Parameters and Guidelines* requirements.)

Our prior report stated the following:

The district claimed materials and supplies for FY 1998-99 and FY 1999-2000 using a methodology similar to the one used to allocate teacher costs for the same years (see Finding 1). The district did not identify the cost of courses taught in the base year for the one required science course, or the cost of high school courses taught in the claim years for the two required science courses. Furthermore, the district applied the percentage increase in high school science teachers between the 1985-86 base year and the claim years to the claim year number, rather than to the FY 1985-86 base-year number. Consequently, the calculation did not measure the costs of additional high school science courses taught in the claim years as a result of the mandate.

For FY 2000-01 and FY 2001-02, the district applied 50% of all high school science materials and supplies to the mandate. The district did not provide any documents to substantiate the claimed percentages.

For the audit period, the district did not identify or report any offsetting savings of materials and supplies due to the reduction of non-science courses as a result of the mandate. Furthermore, the district did not support the lack of offsetting savings.

In addition, the district did not support claimed materials and supplies, totaling \$128,321 . . . and claimed non-science textbooks, non-science materials, and duplicated costs, totaling \$38,544. . . .

The district also did not report \$178,517 in reimbursements from other programs that related to costs claimed. . . . These reimbursements related to the following programs: School Facility Program, Science Laboratory Material Funds, Special Education, Title VI, and Gifted and Talented.

As noted in Finding 1, the COSM directed the SCO to reconsider our position in light of the Sacramento County Superior Court 2004 ruling in the San Diego Unified School District et al. v. COSM et al., Case No. 03CS01401.

We recalculated allowable costs for the audit period using the quarter class load method. This method is similar to our teachers cost

calculation. This method converts teacher staffing to number of classes taught. The increased classes are then multiplied by the average allocation for materials and supplies given to all science classes, net of science material and supply costs funded by restricted resources. The district only provided science material and supply costs funded with unrestricted resources. Consequently, our recalculation was based on costs funded with unrestricted resources. Our recalculation resulted in a reduction of the audit finding by \$76,717, from \$394,672 to \$317,955.

The following table shows the audit adjustment resulting from the recalculation of materials and supplies costs, and related indirect costs using the quarter class load method.

	Fiscal Year				Total
	1998-99	1999-2000	2000-01	2001-02	
Materials and supplies	\$ (57,322)	\$(129,305)	\$ (77,062)	\$ (34,428)	\$(298,117)
Indirect costs	(3,908)	(8,340)	(5,263)	(2,327)	(19,838)
Total adjustment	<u>\$ (61,230)</u>	<u>\$(137,645)</u>	<u>\$ (82,325)</u>	<u>\$ (36,755)</u>	<u>\$(317,955)</u>

Recommendation

We recommend that the district continue to apply a consistent methodology that identifies the additional supply costs needed to provide the second year of science net of offsetting revenues.

District's Response

The district did not respond to the validity of the recalculation.

SCO's Comment

The fiscal impact of the audit finding remains unchanged.

**FINDING 3—  
Unallowable contracted services**

For FY 1998-99 and FY 1999-2000, the district claimed contracted service costs for construction projects for four high schools: Clovis, Clovis West, Clovis East, and the Center for Advanced Research and Technology. The district did not provide documentation to substantiate the allowability of costs claimed, totaling \$3,377,241 for FY 1998-99 and FY 1999-2000.

*Parameters and Guidelines* states that the acquisition of additional space for conducting new science courses is reimbursable only to the extent that districts can document that this space would not have been otherwise acquired due to increases in the number of students enrolling in high school, and that it was not feasible, or would be more expensive, to acquire space by remodeling existing facilities.

*Parameters and Guidelines* also states that the district must provide certification by the board that an analysis of all appropriate science facilities within the district was conducted, and a determination made that no such facilities existed to reasonably accommodate increased enrollment for the additional science courses required by the enactment of *Education Code* Section 51225.3.

The district did not provide the auditors with a board certification, approved in advance of the FY 1998-99 and FY 1999-2000 construction projects, stating that the construction was carefully thought out and an analysis had been conducted of all appropriate science facilities within the district prior to the construction. On January 8, 2003, the district's board met and certified that, because of the mandate, the existing science facilities for FY 1998-99, FY 1999-2000, and FY 2000-01 failed to accommodate the current needs of the district, and, therefore, the district approved new construction, remodeling, equipment purchases, and/or temporary student classroom lease proposals. The district board members approved the certification approximately three to four years after construction; therefore, it did not meet the requirements of the mandate.

In addition, *Parameters and Guidelines* states that reimbursement for this mandate received from any source, including, but not limited to, service fees collected, federal funds, and other state funds, is to be identified and deducted from this claim.

The audit revealed that approximately 50% of the construction costs claimed were funded by School Facility Program funds.

Total claimed contract services are unallowable, as follows:

	Fiscal Year		Total
	1998-99	1999-2000	
Contract services	<u>\$(2,679,035)</u>	<u>\$(698,206)</u>	<u>\$(3,377,241)</u>

The district had filed similar claims for FY 1984-85 through FY 1997-98. The SCO had rejected the contracted services costs on these claims because the district had failed to submit necessary documentation to satisfy the criteria of board certification for the costs of leasing portable classrooms. On October 4, 1995, followed by an amendment on August 3, 2000, the district filed an IRC for FY 1984-85 through FY 1997-98. The district argued that the SCO incorrectly reduced the district's contracted service costs.

In response, the SCO advised the Commission on State Mandates that the district failed to submit board certification, as required by *Parameters and Guidelines*. The SCO further advised that the board certification was not merely a formality but a demonstration that the construction or remodeling for which reimbursement is sought was carefully thought out and that no reasonable alternatives existed.

On January 24, 2002, the commission denied the district's IRC. The Sacramento County Superior Court upheld the COSM decision in its 2004 ruling in the San Diego Unified School District et al. v. Commission on State Mandates et al., Case No. 03CS01401.

Recommendation

We recommend that the district develop and implement procedures to ensure that all claimed costs are allowable and reimbursements received from any other sources are identified and deducted from claimed costs.

District's Response

The revised audit findings do not change the amount of the adjustments made by the original audit. Therefore, the district position has not changed. The board certification process was the subject of the court case [sic] decided in 2004 and the district will comply with the court decision. The application of other funding sources for construction was not the subject of the court decision and the district maintains its position that the local funds are not a full or partial reduction of the total facility costs.

SCO's Comment

The finding and recommendation remain unchanged.

As noted in its response, the district will comply with the court decision, which supported the unallowable costs related to the required governing board certificate.

In terms of the use of categorical revenues for construction costs, *Parameters and Guidelines*, Section VI, states that reimbursement for this mandate from any source, e.g., federal, state, block grants, etc., shall be deducted from claimed costs.

**OTHER ISSUE**

In responding to the preliminary findings, the district disagrees with the SCO's position that claimed science teacher costs funded with categorical funds are to be deducted as offsetting revenues. During the audit period, categorical funds were not used to fund science teacher costs. Consequently, this argument does not affect the audit findings.

District's Response

Although we do not fund science teachers with categorical funds, we disagree with the concept that teachers and supplies funded in this manner be viewed as offsetting revenue when the increased service utilizes existing District resources. If districts are required to provide the mandate, the expenses as coded in a district budget should not be a factor. Regardless of the source of funding redirected to cover the cost of providing the new mandated service, the new service remains an additional, unfunded expense until it is reimbursed with new state funds. The Controller's offset of the other funding sources as a reduction of claimed cost is not consistent with school accounting guidelines established by state agencies and audited by independent auditors according to the audit guidelines written by the Controller and other state agencies, nor are the offsets required by the parameters and guidelines for this mandate program.

SCO's Comment

The finding and recommendation remain unchanged.

In its response, the district takes exception with the identification of categorical revenues as an offset. The district states that offsets are not required per the *Parameters and Guidelines* and other accounting guidelines. On the contrary, *Parameters and Guidelines*, Section VI, states that reimbursement for this mandate from any source, e.g., federal, state, block grants, etc., shall be deducted from claimed costs.

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

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April 16, 2007

Mr. Jim L. Spano, Chief  
Compliance Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Spano:

This letter is Clovis Unified School District's response to the revised Graduation Requirements findings and recommendations received by email April 4, 2007, for the period of July 1, 1998 through June 30, 2002.

District's Response

The District has reviewed the draft findings of your proposed revised audit report. Both findings state in the first sentence that "The district filed additional documentation using the quarter class method..." This is not correct. The District provided documentation in response to your revised audit documentation request, but did not "file" any revised or amended annual reimbursement claims.

District's Response Finding 1 – Unallowable teacher supply costs.

The District has reviewed the draft revised audit findings and has discussed with the auditors the proposed Controller's quarter load method of calculating allowable costs. Although we do not fund science teachers with categorical funds, we disagree with the concept that teachers and supplies funded in this manner be viewed as offsetting revenue when the increased service utilizes existing District resources. If districts are required to provide the mandate, the expenses as coded in a district budget should not be a factor. Regardless of the source of funding redirected to cover the cost of providing the new mandated service, the new service remains an additional, unfunded expense until it is reimbursed with new state funds. The Controller's offset of the other funding sources as a reduction of claimed cost is not consistent with school accounting guidelines established by state agencies and audited by independent auditors according to the audit guidelines written by the Controller and other state agencies, nor are the offsets required by the parameters and guidelines for this mandate program.



District's Response Finding 2 – Unallowable contracted services costs.

The revised audit findings do not change the amount of the adjustments made by the original audit. Therefore, the district position has not changed. The board certification process was the subject of the court case decided in 2004 and the district will comply with the court decision. The application of other funding sources for construction was not the subject of the court decision and the district maintains its position that local funds are not a full or partial reduction of the total facility costs.

Per conversations with Chris Ryan in the Compliance Bureau, Division of Audits, we understand the revised report will supersede the prior revised final report, and in order to expedite the process these comments will be incorporated into the final report.

Sincerely,



Michael Johnston  
Assistant Superintendent  
Business Services

MJ/tg

cc: Terry Bradley, Ed.D., Superintendent  
Bill McGuire, Associate Superintendent-Administrative Services  
Keith Petersen, Six Ten & Associates  
Chris Ryan, State Controller's Office

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
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**<http://www.sco.ca.gov>**



## GRADUATION REQUIREMENTS

### 1. Summary of Chapter 498/83

Education Code § 51225.3, as added by Chapter 498, Statutes of 1983, requires school districts to provide an additional science course to students prior to graduation from the twelfth grade.

Commencing with the 1986/87 school year, no pupil shall receive a high school diploma without completing two years of science courses. Chapter 498/83 further specifies that the curriculum include one course each of biological and physical sciences.

On November 20, 1986, the Commission on State Mandates determined that Chapter 498, Statutes of 1983, resulted in state mandated costs which are reimbursable pursuant to Part 7 (commencing with Government Code § 17500) of Division 4 of Title 2.

### 2. Eligible Claimants

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

### 3. Appropriations

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

### 4. Types of Claims

#### A. Reimbursement and Estimated Claims

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

#### B. Minimum Claim

Government Code § 17564(a), provides that no claim shall be filed pursuant to Government Code § 17561 unless such a claim exceeds \$200 per program per fiscal year. However, any county superintendent of schools, as fiscal agent for the school district, may submit a combined claim in excess of \$200 on behalf of one or more districts within the county even if the individual district's claim does not exceed \$200. A combined claim must show the individual costs for each district. Once a combined claim is filed, all subsequent years relating to the same mandate must be filed in a combined form. The county receives the reimbursement payment and is responsible for disbursing funds to each participating district. A district may withdraw from the combined claim form by providing a written notice to the county superintendent of schools and the State Controller's Office of its intent to file a separate claim at least 180 days prior to the deadline for filing the claim.

### 5. Filing Deadline

#### A. Annually Thereafter

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

An estimated claim must be filed with the State Controller's Office and postmarked by January 15 of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by January 15 of the following fiscal year. If the district fails to file a reimbursement claim, monies received for the estimated claim must be returned to the State. If no estimated claim was filed, the agency may file a reimbursement claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. For information regarding appropriations for reimbursement claims, refer to the "Appropriation for State Mandated Cost Programs" in the previous fiscal year's annual claiming instructions.

A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by January 15 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by January 15 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

## **6. Reimbursable Components**

### **A. Acquisition Cost**

The cost of acquiring additional space and equipment necessary for conducting new science classes are reimbursable, provided that space is lacking in existing facilities.

### **B. Remodeling Cost**

The cost of remodeling existing space to accommodate the new science class and laboratory are reimbursable, including design, renovation, and special lab equipment and outlets essential to maintain a level of instruction sufficient to meet college admission requirements.

### **C. Staffing and Supplies**

The increased cost of the school district to staff and supply the new mandated science classes are reimbursable. Staffing costs are limited to salary and other remuneration differentials, if any, of a science teacher and the cost of lab assistants or special teaching aids required by a science class. The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

School districts claiming costs under A and/or B must provide the following:

- (1) Documentation of increased units of science course enrollments due to the enactment of Education Code § 51225.3 necessitating such an increase.

However, the acquisition of additional space for conducting new science classes are reimbursable only to the extent that the districts can document that this space would not have been otherwise acquired due to the increase in the number of students enrolling in high school, and that it was not feasible, or would be more expensive, to acquire space by remodeling existing facilities.

- (2) Documentation of lack of appropriately configured and equipped space in existing facilities for the new courses.
- (3) Certification by the Board of Trustees that an analysis of all appropriate science facilities within the district was conducted and a determination made that no such facilities existed to reasonably accommodate increased enrollment for the additional science courses required by the enactment of Education Code § 51225.3 to reasonably accommodate includes:

- (4) Adjusting attendance boundaries to balance attendance between under-utilized and over-utilized secondary school facilities within the district.
- (5) Taking advantage of other available secondary school science facilities that are within a secure distance of the school.
- (6) Documentation that the additional space for conducting new science classes is required only when the space would not have otherwise been acquired due to an increase in high school enrollment.
- (7) Documentation that remodeling existing facilities was not feasible or would have been more expensive than acquiring additional space.

## 7. Reimbursement Limitations

Any offsetting savings (i.e., reduction in non-science classes) or reimbursement the claimant received from any source (e.g. service fees collected, federal funds, other state funds, etc.,) as a result of this mandate shall be identified and deducted so only net local costs are claimed.

The maximum reimbursable fee for contracted services is \$110.42 (for 2001-02 fiscal year) adjusted annually by the change in the implicit price deflator for the cost of goods and services to governmental agencies as determined by the State Department of Finance. For update changes on the maximum reimbursable fee, refer to the instructions on form GR-2. Those claims that are based on annual retainers shall contain a certification that the fee is no greater than the maximum. Reasonable expenses related to the mandate will be paid as identified on the monthly billing of consultants.

## 8. Claiming Forms and Instructions

A claimant may submit a computer generated report in substitution for forms GR-1 and GR-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated or reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

### A. Form GR-2, Component/Activity Cost Detail

This form is used to segregate the detailed costs by claim component. A separate form GR-2 must be completed for each cost component being claimed. Costs reported on this form must be supported as follows:

#### (1) Salaries and Benefits

Identify the employee(s), and/or show the classification of the employee(s) involved. Describe the mandated functions performed and specify the actual time devoted to each function by each employee, the productive hourly rates and related fringe benefits.

Source documents required to be maintained by the claimant may include, but are not limited to, employee time records that show the employee's actual time spent on the mandate.

#### (2) Materials and Supplies

Only expenditures which can be identified as a direct cost of the mandate may be claimed. List the cost of materials which have been consumed or expended specifically for the purpose of the mandate.

Source documents required to be maintained by the claimant may include, but are not limited to, invoices, receipts, purchase orders and other documents evidencing the validity of the expenditures.

(3) Contract Services

Contracting costs are reimbursable to the extent that the function to be performed requires special skill or knowledge that is not readily available from the claimant's staff or the service to be provided by the contractor is cost effective. Use of contract services must be justified by the claimant. The maximum reimbursable fee for contracted services is \$110.42 (2001-02 f.y.) adjusted annually by the change in the implicit price deflator. Those claims that are based on annual retainers shall contain a certification that the fee is no greater than the above maximum.

Give the name(s) of contractor(s) who performed the service(s). Describe the activities performed by each named contractor, actual time spent on the mandate, inclusive dates when services were performed, and itemize all costs for services performed. Attach consultant invoices with the claim.

Source documents required to be maintained by the claimant may include, but are not limited to, contracts, invoices, and other documents evidencing the validity of the expenditures.

(4) Fixed Assets (Land, Building, Equipment and Fixtures)

Compensation for fixed asset costs are reimbursable utilizing the procedure provided in the Office and Management Budget Circular A-87 (OMB A-87). Example: Compensation for the use of equipment. The claimant may be compensated for the equipment use through a use allowance or depreciation. A use allowance may be computed at an annual rate not to exceed 6 2/3% of acquisition cost. This is reported and claimed through the agency's service-wide cost allocation plan under the cost element "Use Allowance". Where a depreciation method followed, adequate property records must be maintained and any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for any specific class of assets for all affected programs.

List the cost of fixed assets that have been acquired specifically for the purpose of this mandate. If a fixed asset is acquired for the subject state mandate, but is utilized in some way not directly related to the program, only the pro-rated portion of the asset which is used for purposes of the program is reimbursable.

Give a description and reason for the acquisition of land, equipment, furniture, fixtures, and space remodeling necessary for conducting new science classes. Identify the newly purchased land by its location and parcel number. For remodeled classrooms, identify the name of the school and room numbers. For equipment, furniture and fixtures, identify these by naming the item, serial numbers/inventory numbers, quantity purchased and location of items.

Source documents required to be maintained by the claimant may include, but are not limited to, contracts, invoices, and other documents evidencing the validity of the expenditures.

For audit purposes, all supporting documents must be retained for a period of two years after the end of the calendar year in which the reimbursement claim was filed or last amended, whichever is later. When no funds are appropriated for the initial claim at the time the claim was filed, supporting documents must be retained for two years from the date of the initial payment of the claim. Such documents shall be made available to the State Controller's Office on request.

**B. Form GR-1, Claim Summary**

This form is used to summarize direct costs by claim component and compute allowable indirect

costs for the mandate. Claim statistics shall identify the work performed for costs claimed. The

claimant must give the number of new or remodeled science classrooms.

School districts and local offices of education may compute the amount of indirect costs utilizing the State Department of Education's Annual Program Cost Data Report J-380 or J-580 rate, as applicable. The cost data on this form are carried forward to form FAM-27.

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

Form FAM-27 contains a certification that must be signed by an authorized representative of the district. All applicable information from form GR-1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>GRADUATION REQUIREMENTS</b>	For State Controller Use Only (19) Program Number 00026 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program <b>026</b>
---	---	-----------------------

LABEL HERE	(01) Claimant Identification Number	<b>Reimbursement Claim Data</b>	
	(02) Claimant Name	(22) GR-1, (03)	
	County of Location	(23) GR-1, (04)(1)(e)	
	Street Address or P.O. Box <span style="float: right;">Suite</span>	(24) GR-1, (04)(2)(e)	
	City <span style="float: right;">State</span> <span style="float: right;">Zip Code</span>	(25) GR-1, (04)(3)(e)	

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

**(37) CERTIFICATION OF CLAIM**

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

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

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

Signature of Authorized Officer	Date
Type or Print Name	Title

(38) Name of Contact Person for Claim	Telephone Number ( ) - Ext.	
	E-Mail Address	

<b>Program</b> <b>026</b>	<b>GRADUATION REQUIREMENTS</b> <b>Certification Claim Form</b> <b>Instructions</b>	<b>FORM</b> <b>FAM-27</b>
------------------------------	--	------------------------------

- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form GR-1 and enter the amount from line (13).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form GR-1, line (13). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., GR-1, (04)(1)(e), means the information is located on form GR-1, block (4), line (01), column (c). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

**SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS TO:**

**Address, if delivered by U.S. Postal Service:**

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 P.O. Box 942850  
 Sacramento, CA 94250

**Address, if delivered by other delivery service:**

OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 3301 C Street, Suite 500  
 Sacramento, CA 95816

Program <b style="font-size: 24pt;">026</b>	<b>MANDATED COSTS GRADUATION REQUIREMENTS CLAIM SUMMARY</b>	<b>FORM GR-1</b>
--	---	----------------------

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

**Claim Statistics**

(03) Number of new or remodeled science classrooms	
--	--



(04) Reimbursable Components	(a) Salaries and Benefits	(b) Materials and Supplies	(c) Contract Services	(d) Fixed Assets	(e) Total
1. Acquisition Cost					
2. Remodeling Cost					
3. Staffing and Supplies					
(05) Total Direct Costs					



**Indirect Costs**

(08) Indirect Cost Rate	[From J-380 or J-580]	%
(09) Total Indirect Costs	[Line (05)(a) x line (08)]	
(10) Total Direct and Indirect Costs	[Line (05)(e) + line (09)]	

**Cost Reduction**

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	[Line (10) – {(line (11) + line (12))}]

<b>Program</b> <b>026</b>	<b>GRADUATION REQUIREMENTS</b> <b>CLAIM SUMMARY</b> <b>Instructions</b>	<b>FORM</b> <b>GR-1</b>
------------------------------	---	----------------------------

- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which costs were incurred or are to be incurred.
- Form GR-1 must be filed for a reimbursement claim. Do not complete form GR-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form GR-1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Enter the number of new or remodeled science classrooms.
- (04) Reimbursable Components. For each reimbursable component, enter the totals from form GR-2, line (05), columns (d), (e), (f), and (g) to form GR-1, block (04), columns (a), (b), (c), and (d) in the appropriate row. Total each row.
- (05) Total Direct Costs. Total columns (a) through (e).
- (06) Leave blank.
- (07) Leave blank.
- (08) Indirect Cost Rate. Enter the indirect cost rate from the Department of Education form J-380 or J-580, as applicable for the fiscal year of costs.
- (09) Total Indirect Costs. Enter the result of multiplying the Indirect Cost Rate, line (08), by the Total Salaries and Benefits, line (05)(a).
- (10) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(e), and Total Indirect Costs, line (09).
- (11) Less: Offsetting Savings, if applicable. Enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (12) Less: Other Reimbursements, if applicable. Enter the amount of other reimbursements received from any source, (i.e., service fees collected, federal funds, and other state funds, etc.) which reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (13) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (11), and Other Reimbursements, line (12), from Total Direct and Indirect Costs, line (10). Enter the remainder on this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

Program <b style="font-size: 24pt;">026</b>	<b>MANDATED COSTS                  GRADUATION REQUIREMENTS                  COMPONENT/ACTIVITY COST DETAIL</b>	<b>FORM                  GR-2</b>
--	--	---------------------------------------

(01) Claimant	(02) Fiscal Year Costs Were Incurred
---------------	--------------------------------------

(03) Reimbursable Component: Check only **one** box per form to identify the component being claimed.

Acquisition Cost
  Remodeling Cost  
 Staffing and Supplies

(04) Description of Expenses: Complete columns (a) through (g). **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed, and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries and Benefits	(e) Materials and Supplies	(f) Contract Services	(g) Capital Outlays

(05) Total <input type="checkbox"/>	Subtotal <input type="checkbox"/>	Page: ___ of ___	
-------------------------------------	-----------------------------------	------------------	--

<b>Program</b> <b>026</b>	<b>GRADUATION REQUIREMENTS</b> <b>COMPONENT/ACTIVITY COST DETAIL</b> <b>Instructions</b>	<b>FORM</b> <b>GR-2</b>
------------------------------	--	----------------------------

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year in which costs were incurred.
- (03) Reimbursable Components. Check the box which indicates the cost component being claimed. Check only one box per form. A separate form GR-2 shall be prepared for each applicable component.
- (04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the component activity box "checked" in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and capital outlays needed to acquire space and equipment. Contract Services are reimbursable to the extent that activities performed require special skills or knowledge that are not readily available from the claimant's' staff. The maximum reimbursable fee for contract services is \$122.06 for the 2004-05 fiscal year. If a piece of equipment acquired for the Graduation Requirement program is also utilized for other programs, only a prorated cost of the equipment is reimbursable. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit shall be three years from the date of initial payment of the claim. Such documents shall be made available to the State Controller's Office on request.

Object/ Sub object Accounts	Columns							Submit these supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<b>Salaries</b>	Employee Name	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked				
<b>Benefits</b>	Title  Activities	Benefit Rate		Benefits = Benefit Rate x Salaries				
<b>Materials and Supplies</b>	Description of Supplies Used	Unit Cost	Quantity Used		Cost = Unit Cost x Quantity Used			
<b>Contract Services</b>	Name of Contractor  Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service			Cost = Hourly Rate x Hours Worked or Total Contract		Copy of Contract and Invoices
<b>Capital Outlays</b>	Description of Equipment Purchased Equipment ID	Unit Cost	Quantity Used				Cost = Unit Cost x Quantity Used	Invoices

- (05) Total line (04), columns (d), (e), (f), (g), and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the component costs, number each page. Enter totals from line (05), columns (d), (e), (f), and (g) to form GR-1, block (04), columns (a), (b), (c), (d) and (e) in the appropriate row.

**TAB 5**

LRSF080

DIVISION OF ACCOUNTING AND REPORTING  
 BUREAU OF LOCAL REIMBURSEMENTS  
 PAYMENTS FOR A CLAIM/PAYEE/PROGRAM/FISCAL YEAR

05/21/07  
 09:24:23

PAYEE NBR: S10065 PAYEE NAME: CLOVIS UNIFIED SCHOOL DIST PGM NBR: 26  
 CH NBR: 6110-295-0001-1998 PGM: GRADUATION REQ'MENTS CH 498/83 FY: 1998/1999  
 TOT FYTD PAID AMT: 3,345,091.00 BAL DUE CLM: .00 PGM TYPE: MAN  
 FNL APRVD CLM AMT: -2,472,350.00 BAL DUE ST: .00 1ST TIME PGM: N

CL TYP	PMT TYP	MAN PAY	DT FILED	CLAIM AMT	ADJUSTMENT AMT	BAL DUE CLAIM	
APPROVED AMT	FNL APRVD AMT	PRO PCT	AMT BEFORE AR	AR OFFSET AMT	WARRANT AMT	ISSUE DATE	CLAIM SCHED NBR
A	I04	N	00/00/0000	.00	.00	.00	
	.00		.00	.00000000	.00	.00	
	.00		.00	00/00/0000	MA62141I		
-----							
A	A03	N	01/12/2001	3,346,091.00	-1,000.00	.00	
	3,345,091.00		3,175,691.00	1.00000000	3,175,691.00	.00	
	25,248.00		3,150,443.00	01/30/2001	MA01324X		

DC982052 More pages...

PAYEE NBR: S10065 PGM NBR: 26 FY: 1998/1999

PF0= CLMS FOR A PGM/FY PF11= WARRANT INFORMATION PF9= INTEREST PAY INFO

*\$1,000 - Late Claim  
 Penalty*

*Gross Pd \$3,345,091  
 Offsets - 2,472,350  
 -----  
 Net Pd 872,741*

LRSF080

DIVISION OF ACCOUNTING AND REPORTING

05/21/07

BUREAU OF LOCAL REIMBURSEMENTS

09:24:26

PAYMENTS FOR A CLAIM/PAYEE/PROGRAM/FISCAL YEAR

PAYEE NBR: S10065    PAYEE NAME: CLOVIS UNIFIED SCHOOL DIST    PGM NBR: 26  
 CH NBR: 6110-295-0001-1998    PGM: GRADUATION REQ'MENTS CH 498/83    FY: 1998/1999  
 TOT FYTD PAID AMT: 3,345,091.00    BAL DUE CLM: .00    PGM TYPE: MAN  
 FNL APRVD CLM AMT: -2,472,350.00    BAL DUE ST: .00    1ST TIME PGM: N

CL TYP	PMT TYP	MAN PAY	DT FILED	CLAIM AMT	ADJUSTMENT AMT	APPROVED AMT	FNL APRVD AMT	PRO PCT	AMT BEFORE AR	BAL DUE CLAIM
						AR OFFSET AMT	WARRANT AMT	ISSUE DATE	CLAIM SCHED NBR	
E	E02	N	01/15/1999	200,000.00	.00					
				200,000.00			33,681.00	.09148686	3,081.00	30,600.00
						.00	3,081.00	06/22/1999	MA80729E	
-----										
E	E01	N	01/15/1999	200,000.00	.00					
				200,000.00			200,000.00	.83159413	166,319.00	33,681.00
						.00	166,319.00	03/12/1999	MA81713E	

DC982051 Last page...

PAYEE NBR: S10065    PGM NBR: 26    FY: 1998/1999

PF0= CLMS FOR A PGM/FY    PF11= WARRANT INFORMATION    PF9= INTEREST PAY INFO



LRSF080

DIVISION OF ACCOUNTING AND REPORTING  
 BUREAU OF LOCAL REIMBURSEMENTS

05/21/07  
 09:26:35

PAYMENTS FOR A CLAIM/PAYEE/PROGRAM/FISCAL YEAR

PAYEE NBR: S10065 PAYEE NAME: CLOVIS UNIFIED SCHOOL DIST PGM NBR: 26  
 CH NBR: 6110-295-0001-2000 PGM: GRADUATION REQ'MENTS CH 498/83 FY: 2000/2001  
 TOT FYTD PAID AMT: 1,554,800.00 BAL DUE CLM: .00 PGM TYPE: MAN  
 FNL APRVD CLM AMT: -26,498.00 BAL DUE ST: -26,498.00 1ST TIME PGM: N

CL TYP	PMT TYP	MAN PAY	DT FILED	CLAIM AMT	ADJUSTMENT AMT	APPROVED AMT	FNL APRVD AMT	PRO PCT	AMT BEFORE AR	BAL DUE CLAIM
						AR OFFSET AMT	WARRANT AMT	ISSUE DATE	CLAIM SCHED NBR	
- A	I02	N	00/00/0000	.00	.00	.00	.00	.00000000	.00	.00
						.00	.00	00/00/0000	MA62143I	.00
- E	E01	N	12/31/2000	2,697,277.00	.00	2,697,277.00	2,697,277.00	.57643309	1,554,800.00	1,142,477.00
						.00	1,554,800.00	03/13/2001	MA01300Z	

DC982051 Last page...

PAYEE NBR: S10065 PGM NBR: 26 FY: 2000/2001  
 P00= CLMS FOR A PGM/FY PF11= WARRANT INFORMATION PF9= INTEREST PAY INFO

*field audit findings*  
 \$440,497-recovered  
 26,498-

*Gross Pd* \$1,554,800  
*offsets* - 466,995  


---

*net pd* \$1,087,805

LRSF056

DIVISION OF ACCOUNTING AND REPORTING  
BUREAU OF LOCAL REIMBURSEMENTS  
ACCOUNTS RECEIVABLE'S OVERPAYMENTS

05/21/07  
09:26:38

PAYEE NBR: S10065      PAYEE NAME: CLOVIS UNIFIED SCHOOL DIST  
PGM NBR:      26      PGM NAME: GRADUATION REQ'MENTS CH 498/83  
FY: 2000/2001 CHAPTER NBR: 6110-295-0001-2000

ACL

CODE:	FND	SUB	AGCY	FY	REF/ITM	FED/CATLG	CT	PG	EL	COM	TSK	ORIGINAL AMT	AVAIL AMT	STATUS	EST DATE	LETTER DATE
-	0001	000	6100	2000	295	00000000		98	01	049	801	-466,995.00	0.00	E	01/31/2002	05/17/2007

DC982051 Last page...

PAYEE NBR: S10065      PGM NBR:      26      FY: 2000/2001      PF11= AR LIST  
PF7= ADD      PF5= MODIFY      PF6= DELETE      PF9= O/P COLLECTIONS      PF10= CLMS FOR PGM/FY

LRSF081

DIVISION OF ACCOUNTING AND REPORTING  
BUREAU OF LOCAL REIMBURSEMENTS  
CLAIM ADJUSTMENT DETAIL LIST

05/21/07  
09:47:07

PAYEE NBR: S10065 CLOVIS UNIFIED SCHOOL DIST  
PGM NBR: 26 GRADUATION REQ'MENTS CH 498/83  
CHAPTER: 6110-295-0001-2000 FY: 2000/2001 CLAIMED AMOUNT: 1,114,303.00  
FINAL APRVD DATE: 05/15/2007 TOTAL ADJUSTMENTS AMOUNT: -1,140,801.00  
ADJUSTMENT LETTER DATE: 05/17/2007 FINAL APRVD CLAIM AMT: -26,498.00

ADJ DATE	FNL APR DATE	LTR DATE	TYPE	ADJUSTOR	AMOUNT
08/29/2003	09/25/2003	00/00/0000	D	COACFKS	-955,872.00
TEACHER SALARIES					
08/29/2003	09/25/2003	00/00/0000	D	COACFKS	440,497.00
PRIOR COLLECTIONS					

PROJECTED APPROVED AMOUNT=> 1,087,805.00

DC982052 More pages...

PAYEE NBR: S10065 PGM NBR: 26 FY: 2000/2001  
PF1= ADD ADJ PF5= MODIFY ADJ PF6= DELETE ADJ PF10= CLMS FOR A PGM/FY

LRSF081

DIVISION OF ACCOUNTING AND REPORTING  
BUREAU OF LOCAL REIMBURSEMENTS  
CLAIM ADJUSTMENT DETAIL LIST

05/21/07  
09:47:05

PAYEE NBR: S10065 CLOVIS UNIFIED SCHOOL DIST  
PGM NBR: 26 GRADUATION REQ'MENTS CH 498/83  
CHAPTER: 6110-295-0001-2000 FY: 2000/2001 CLAIMED AMOUNT: 1,114,303.00  
FINAL APRVD DATE: 05/15/2007 TOTAL ADJUSTMENTS AMOUNT: -1,140,801.00  
ADJUSTMENT LETTER DATE: 05/17/2007 FINAL APRVD CLAIM AMT: -26,498.00

ADJ DATE	FNL APR DATE	LTR DATE	TYPE	ADJUSTOR	AMOUNT
12/03/2003	05/09/2005	05/11/2005	D	COACFKS	440,497.00
PRIOR COLLECTIONS					
12/03/2003	05/09/2005	05/11/2005	D	COACFKS	-1,554,800.00
PRIOR PAYMENTS					

PROJECTED APPROVED AMOUNT=> 1,087,805.00

DC982052 More pages...

PAYEE NBR: S10065 PGM NBR: 26 FY: 2000/2001

P\* = ADD ADJ PF5 = MODIFY ADJ PF6 = DELETE ADJ PF10 = CLMS FOR A PGM/FY

**TAB 7**



KATHLEEN CONNELL  
Controller of the State of California

October 31, 2002

Terry Bradley, Superintendent  
Clovis Unified School District  
1450 Herndon Avenue  
Clovis, CA 93611

Dear Mr. Bradley:

This letter is to confirm that the State Controller's Office (SCO) has scheduled an audit of Clovis Unified School District's legislatively mandated Graduation Requirement cost claim for fiscal year (FY) 1998-99, FY 1999-2000, and FY 2000-01. The entrance conference has been scheduled for Monday, November 18, 2002, at 1:00 p.m.

The SCO would appreciate your furnishing working accommodations for and making the necessary records (see attachment) available to the audit staff.

If you have any questions, please call me at (916) 445-8519.

Sincerely,

CHRIS PRASAD, Audit Manager  
Compliance Audits Bureau  
Division of Audits

CP:ams

Attachment

3496

cc: (See Page 2)

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250  
SACRAMENTO 300 Capitol Mall, Suite 1850, Sacramento, CA 95814 (916) 445-2636  
LOS ANGELES 600 Corporate Pointe, Suite 1150, Culver City, CA 90230 (310) 342-5678

U. 0000  
mailed by  
11/25/02  
2/1  
JF  
OK/03

VZ 5-503  
pgs 1-3

11/2/02  
up/s/20  
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cc: William McGuire  
Associate Superintendent  
Clovis Unified School District  
Ginny Brummels, Manager  
Division of Accounting and Reporting  
State Controller's Office  
Jim L Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
State Controller's Office  
Stephanie Woo  
Auditor in Charge  
Division of Audits  
State Controller's Office

11/25/02

CLOVIS UNIFIED SCHOOL DISTRICT  
RECORDS REQUEST FOR MANDATED COST PROGRAM  
FY 1998-99, FY 1999-2000, and FY 2000-01

1. Copy of claims filed for the mandated cost program and related supporting documentation.
2. Copy of external and internal audit reports performed on the mandated cost program.
3. Organization charts for the district effective during the audit period and currently, showing employee names and position titles.
4. Organization charts for the division or units handling the mandated cost program effective during the audit period and currently, showing employee names and position titles.
5. Chart of accounts
6. Worksheets supporting the productive hourly rate used, including support for benefit rates.
7. Support for costs claimed to derive the indirect cost rate proposal (ICRP) plan.
8. Employee time sheets or time logs
9. Access to payroll records showing employee salary and benefits paid during the audit period and currently.
10. Access to general ledger accounts supporting disbursements
11. Supporting documentation for amounts received from other funding sources.
12. Supporting documentation for travel and training expenses claimed.
13. Supporting documentation for materials and supplies claimed.
14. Supporting documentation for contracted services claimed.

Other documentation may be requested.