

SixTen and Associates

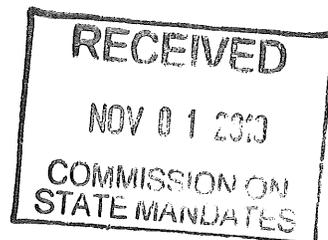
Mandate Reimbursement Services

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October 25, 2010



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

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

Dear Ms. Higashi:

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

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

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

Thank you.

Sincerely,

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

Keith B. Petersen

COMMISSION ON STATE MANDATES

1. INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy #2

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

2. CLAIMANT INFORMATION

Riverside Unified School District

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

3. CLAIMANT REPRESENTATIVE INFORMATION

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

Keith B. Petersen, President
SixTen and Associates
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Filing Date	RECEIVED NOV 01 2010 COMMISSION ON STATE MANDATES
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IRC #:

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

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

5. AMOUNT OF INCORRECT REDUCTION

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

6. NOTICE OF NO INTENT TO CONSOLIDATE

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

Sections 7-14 are attached as follows:

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

15. CLAIM CERTIFICATION

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

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

Michael H. Fine 10/8/10
Signature Date

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

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

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

27 INCORRECT REDUCTION CLAIM FILING

28 PART I. AUTHORITY FOR THE CLAIM

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

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

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

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

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

14 PART II. SUMMARY OF THE CLAIM

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

20 /

21 /

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

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

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

10 PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

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

19 PART IV. BASIS FOR REIMBURSEMENT

20 1. Mandate Legislation

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

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

1 as truant:

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

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

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

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

25 2. Test Claim

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

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

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

3 3. Parameters and Guidelines

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

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

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

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

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

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

26 (a) That the pupil is truant.

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

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

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

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

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

22 4. Claiming Instructions

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

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

5 PART V. STATE CONTROLLER CLAIM ADJUDICATION

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

9 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

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

15 PART VII. STATEMENT OF THE ISSUES

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

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

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

10 A. Claim Preparation Standard

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

14 VI. CLAIM PREPARATION

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

18 A. Uniform Cost Allowance Reimbursement

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

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

1 instructions for this purpose.

2 B. Audit Documentation Standard

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

7 VII. SUPPORTING DATA

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

12 A. Uniform Allowance Reimbursement

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

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

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

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

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

11 C. FY 2005-06 Unclaimed Notices

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

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

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

1 THE ISSUE OF STATISTICAL SAMPLING AND EXTRAPOLATION

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

9 A. Legal Basis for Reimbursement Based on Statistical Sampling

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

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

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

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

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

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

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

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

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

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

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

16 B. Utility of the Sampling Methodology

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

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

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

13 C. Sample Risk

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

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

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

D. Sample Error

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

Audit Results:

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

Secondary Schools

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

Audit Results:

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

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

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

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

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

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

1 THE ISSUES OF COMPLIANCE WITH THE MANDATE

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

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

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

22 E. Insufficient Documentation

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

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

3 F. Age of Student

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

United States Code.

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

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

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

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

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

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

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

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

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

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

1 Section 300⁹).

2 G. Number of absences required for the initial notification

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

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

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

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

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

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

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

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

9 **Finding 3 Noncompliant initial truancy notifications**

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

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

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

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

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

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

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

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

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

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

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

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

1 distributed. Section 48250.5 allows for notice either by mail or “other reasonable means.”
2 The audit did not determine that the District did not complete the mandated notice
3 requirement by making the element 6 notice by other reasonable means, such as on the
4 District’s web page, the annual parent notification mailed at the beginning of the school
5 year, or letters or other communication from the pupil personnel services department after
6 the absences commenced.

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

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

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

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

8 **Amount Paid by The State**

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

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

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

18 /

19 /

20 /

21 /

PART VIII. RELIEF REQUESTED

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

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

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1 PART IX. CERTIFICATION

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

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

8 

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

17 APPOINTMENT OF REPRESENTATIVE

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

20 

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

10/8/10
Date

24 Attachments:

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

COMMAND ==>
LRSP572 20100223 200009

SCROLL ==> SCREE
P 5 R 1 C 1

S33120

00048

2010/02/25

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

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

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

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

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

63/4

COMMAND ==>

SCROLL ==> SCREE

LRSP572 20100223 200009

P 5 R 22 C 1

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

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

ADJUSTMENT TO CLAIM:

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

COMMAND ====>
LRSP572 20100225 200006

SCROLL ====> SCREE
P 3 R 1 C 1

S33120
00048
2010/02/27

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

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

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

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

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

09/18

COMMAND ===>

SCROLL ===> SCREE

LRSP572 20100225 200006

P 3 R 22 C 1

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

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

ADJUSTMENT TO CLAIM:

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

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

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P 1 R 1 C 1
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2010/06/19

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

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY CH 498/83

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

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

05/6

COMMAND ==>

LRSP572 20100617 200007

SCROLL ==> SCREE

P 1 R 22 C 1

AMOUNT DUE CLAIMANT

\$ 215,415.00
=====

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

05/1



JOHN CHIANG
California State Controller

March 01, 2010

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

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

Dear Mr. Vanderzyl:

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

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

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

Sincerely,

GINNY BRUMMELS
Manager

GLB:th

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

06/07

COMMISSION ON STATE MANDATES

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



July 22, 1993

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

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

Dear Mr. Petersen:

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

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

Sincerely,

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

ELLEN L. O'CONNOR
Program Analyst

g:\pg\not_exp.dec

Encl: Adopted Parameters and Guidelines

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

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Adopted: 8/27/87
Amended: 7/28/88
Amended: 7/22/93

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

I. SUMMARY OF MANDATE

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

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

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

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

II. BOARD OF CONTROL DECISION

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

III. ELIGIBLE CLAIMANTS

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

IV. PERIOD OF REIMBURSEMENT

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

V. REIMBURSABLE COSTS

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

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

C. Uniform Cost Allowance

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

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

D. Unique Costs

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

VI. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

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

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

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VII. SUPPORTING DATA

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

A. Uniform Allowance Reimbursement

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

B. Reimbursement of Unique Costs

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

VII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

VIII. REQUIRED CERTIFICATION

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

NOTIFICATION OF TRUANCY

1. Summary of Chapter 498/83

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

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

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

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

2. Eligible Claimants

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

3. Appropriations

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

4. Types of Claims

A. Reimbursement and Estimated Claims

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

B. Minimum Claim

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

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

5. Filing Deadline

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

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

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

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

6. Reimbursable Components

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

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

7. Reimbursement Limitations

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

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

8. Form NOT-1, Claim Summary

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

9. Form FAM-27, Claim for Payment

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

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

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

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

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

Address, if delivered by other delivery service:

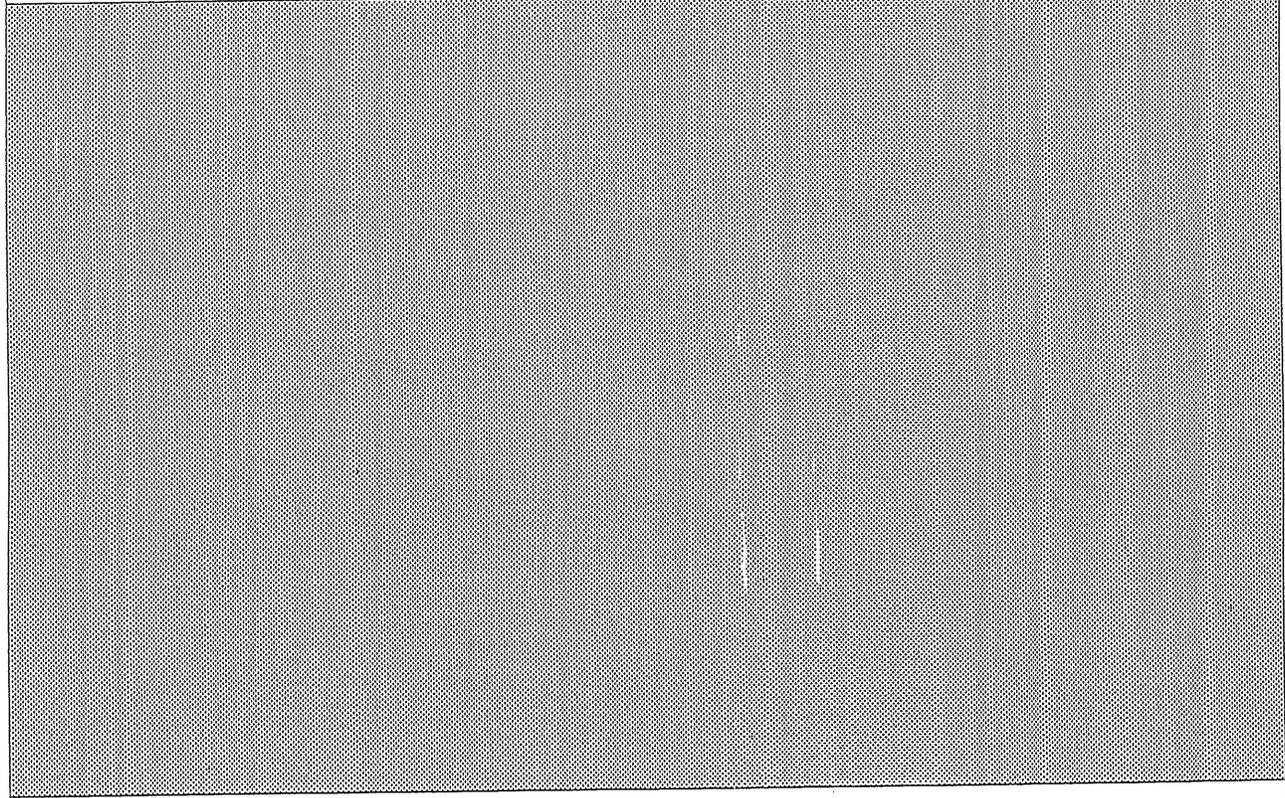
OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
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(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 20__/20__
---------------	--	--------------------------

Claim Statistics

(03) Number of truant notifications	
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Cost

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

Cost Reduction

(06) Less: Offsetting Savings	
(07) Less: Other Reimbursements	
(08) Total Claimed Amount	[Line (05) - (line (06) + line (07))]

Program 048	NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions	FORM NOT-1
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(01) Enter the name*of the claimant.

(02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.

Form NOT-1 must filed for a reimbursement claim. Do not complete form NOT-1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form NOT-1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.

(04) Unit cost rate for the 2000-01 fiscal year is \$12.73 per initial notification. This cost rate will be updated yearly and listed in the annual updates to claiming instructions mailed to school districts in September.

(05) Total Costs. Multiply line (03) by the unit cost rate, line (04).

(06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.

(07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.) which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.

(08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

RIVERSIDE UNIFIED
SCHOOL DISTRICT
2010 FEB 10 10:58

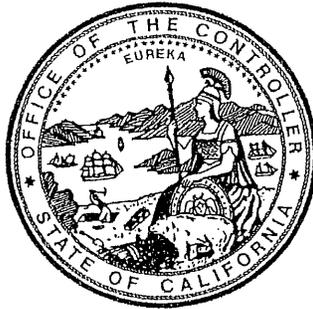
RIVERSIDE UNIFIED SCHOOL DISTRICT

Audit Report

NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

February 2010



JOHN CHIANG
California State Controller

February 5, 2010

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

Dear Mr. Vanderzyl:

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

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

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:vb

cc: Richard L. Miller, Ph.D., Superintendent
Riverside Unified School District
Michael H. Fine, Deputy Superintendent
Business Services and Governmental Relations
Riverside Unified School District
William E. Hendrick, Ph.D., Director of Pupil Services
Riverside Unified School District
Annette Alvarez, Fiscal Services Manager
Riverside Unified School District
Kenneth M. Young, Riverside County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Ginny Brummels, Section Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

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

Audit Report

Summary

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

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

Background

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

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

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

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

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. Except for the following issue, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

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

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

Conclusion

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

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

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

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

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

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

**Views of
Responsible
Official**

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

Restricted Use

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



JEFFREY V. BROWNFIELD
Chief, Division of Audits

February 5, 2010

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

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

¹ See the Findings and Recommendations section.

² Difference due to rounding.

Findings and Recommendations

FINDING 1— Unsupported initial truancy notifications claimed

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

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

The following table summarizes the unsupported initial truancy notifications claimed:

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

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

Recommendation

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

District’s Response

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

SCO’s Comments

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

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

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

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

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

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

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

The following table summarizes unallowable truancy notifications claimed:

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

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

The following table summarizes unclaimed allowable initial truancy notifications:

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

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

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

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

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

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

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

Recommendation

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

District's Response

Audit by sampling

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

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

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

Number of absences required for the initial notification

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

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

Age of student

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

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

SCO's Comments

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

Audit by Sampling

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

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

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

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

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

Number of Absences Required for the Initial Notification

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

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

Age of Student

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

**FINDING 3—
Noncompliant initial
truancy notifications**

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

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

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

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

Recommendation

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

District's Response

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

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

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

The adjustment should be rescinded as unnecessary and punitive.

SCO's Comments

Our finding and recommendation are unchanged.

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

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

**OTHER ISSUE—
Public records
request**

District's Response

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

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

SCO's Comments

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

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

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

Riverside Unified School District

Richard L. Miller, Ph.D.
District Superintendent

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

OFFICE OF THE SUPERINTENDENT
(951) 788-7134
FAX: (951) 778-5658

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 14, 2009

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

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

Dear Mr. Spano:

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

FINDING 1 - Unsupported initial truancy notifications claimed

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

FINDING 2- Non-reimbursable initial truancy notifications claimed

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

Audit by sampling

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

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

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

Number of absences required for the initial notification

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

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

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

Age of student

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

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

FINDING 3- Noncompliant initial truancy notifications

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

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

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

The adjustment should be rescinded as unnecessary and punitive.

Public Records Request

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

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

Sincerely,



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

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Search

CONTENTS

Home

Perspectives

In Focus

Accounting & Auditing

Taxation

Finance

Management

Responsibilities & Leadership

Technology

Advertising

Classifieds

Media Kit

Contact Info

Masthead

Contact the Editor

Reader Services

Subscribe

Meet Us

Submission Guidelines

BUSINESS

INTERACT

Statistical Sampling Revisited

By Neal B. Hitzig

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

 E-mail Story

 Print Story

Background

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

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

Substantive Tests

May 2004 Issue

The CPA Journal



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[Accounting for Stock Op](#)

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

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

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

Nonstatistical Sampling

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

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

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

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

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

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

Statistical Sampling

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

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

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

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

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

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

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

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

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

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

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

When Is Statistical Sampling Appropriate?

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

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

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

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

Sampling Risk

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

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

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

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

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

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

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

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

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

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

Statistical Sampling and Audit Decisions

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

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

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

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

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

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

Example 2. If neither confidence limit exceeds the

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

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

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

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

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

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

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

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

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

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

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

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

Statistical Sampling and Audit Actions

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

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

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

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

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

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

Does Statistical Sampling Undermine Auditor Judgment?

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

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

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

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

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JOHN CHIANG
California State Controller

July 17, 2007

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

Dear School District:

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

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

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

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

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

School District
July 18, 2007
Page 2

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

Sincerely,

Original Signed By

JOHN CHIANG
California State Controller

cc: The Honorable Mike Eng

Fiscal Year

2003 - 2004

State Controller's Office

School Mandated Cost Manual

<p>CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY</p>	<p>Program 048</p>
--	-------------------------------

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

Reimbursement Claim Data	
(22) NOT-1, (03)	17,943
(23)	
(24)	
(25)	
(26)	
(27)	
(28)	
(29)	
(30)	
(31)	
(32)	
(33)	
(34)	
(35)	
(36)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>
Fiscal Year of Cost	(06) 20__ / 20__	(12) 20 <u>03</u> / 20 <u>04</u>
Total Claimed Amount	(07)	(13) 245,101.00
Less: 10% Late Penalty, not to exceed \$1,000		(14) 1,000.00
Less: Prior Claim Payment Received		(15)
Net Claimed Amount		(16) 244,101.00
Due from State	(08)	(17) 244,101.00
Due to State		(18) 0

(37) CERTIFICATION OF CLAIM

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

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

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

Signature of Authorized Officer: *Herb H. Calderon* Date: 12/2/05

Herb H. Calderon Director - Fiscal Services
Type or Print Name Title

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

State Controller's Office

School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2003-2004
Claim Statistics		
(03) Number of truant notifications		17,943
[Redacted Area]		
Cost		
(04) Unit Cost per an initial truancy notification (\$13.66 the 2003-04 fiscal year)		13.66
(05) Total Direct Costs [Line (03) x line (04)]		245,101.38
Cost Reduction		
(06) Less: Offsetting Savings, if applicable		0
(07) Less: Other Reimbursements, if applicable		0
(08) Total Claimed Amount [Line (05) - (Line (06) + Line (07))]		245,101.38

Revised 9/04

Fiscal Year

2004 - 2005

State Controller's Office

School Mandated Cost Manual

<p>CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY</p>	<p>For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___</p>	<p>Program 048</p>
--	---	--------------------------------------

<p>\$33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504</p>	<p>Reimbursement Claim Data</p>
	(22) NOT-1, (03) 19,134
	(23)
	(24)
	(25)

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 20__ / 20__	(12) 2004 / 2005	(30)
Total Claimed Amount	(07)	(13) 273,234.00	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14) (1,000.00)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16) 272,234.00	(34)
Due from State	(08)	(17) 272,234.00	(35)
Due to State		(18) 0	(36)

(37) CERTIFICATION OF CLAIM

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

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

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

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

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

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

State Controller's Office

School Mandated Cost Manual

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

Fiscal Year

2005 - 2006

State Controller's Office

School Mandated Cost Manual

<p>CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY</p>	<p>For State Controller Use Only</p> <p>(19) Program Number 00048</p> <p>(20) Date Filed <u> </u>/<u> </u>/<u> </u></p> <p>(21) LRS Input <u> </u>/<u> </u>/<u> </u></p>	<p>Program</p> <p style="font-size: 2em; font-weight: bold;">048</p>
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<p>S33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504</p>	Reimbursement Claim Data	
	(22) NOT-1, (03)	15,645
	(23)	
	(24)	
	(25)	

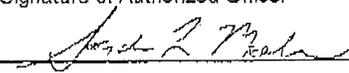
Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input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

(37) CERTIFICATION OF CLAIM

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

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

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

Signature of Authorized Officer  Sandra L. Meekins Type or Print Name	Date 1-16-07 Director - Fiscal Services Title
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(38) Name of Contact Person for Claim Annette Alvarez	Telephone Number (951) 352-6723	Telephone Number Ext. 206	E-mail Address aalvarez@rusd.k12.ca.us
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State Controller's Office

School Mandated Cost Manual

Program 048	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM NOT-1
(01) Claimant RIVERSIDE UNIFIED SCHOOL DISTRICT	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Fiscal Year Estimated <input type="checkbox"/> 2005-2006	
Claim Statistics		
(03) Number of truant notifications	15,645	
Cost		
(04) Unit Cost per an initial truancy notification (\$15.54 the 2005-2006 fiscal year)	15.54	
(05) Total Direct Costs	[Line (03) x line (04)]	243,123.30
Cost Reduction		
(06) Less: Offsetting Savings, if applicable	0	
(07) Less: Other Reimbursements, if applicable	0	
(08) Total Claimed Amount	[Line (05) - {Line (06) + Line (07)}]	243,123.30

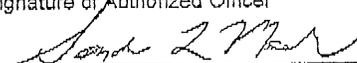
Revised 9/06

Fiscal Year

2006 - 2007

State Controller's Office

School Mandated Cost Manual

CLAIM FOR PAYMENT		For State Controller Use Only		Program
Pursuant to Government Code Section 17561		(19) Program Number 00048		048
NOTIFICATION OF TRUANCY		(20) Date Filed		
		(21) LRS Input		
S33120 RIVERSIDE UNIFIED SCHOOL DIST RIVERSIDE COUNTY 6050 INDUSTRIAL AVE. RIVERSIDE CA 92504		Reimbursement Claim Data		
		(22) NOT-1, (03)	14,020	
		(23)		
		(24)		
		(25)		
		(26)		
Type of Claim	Estimated Claim	Reimbursement Claim	(27)	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)	
Fiscal Year of Cost	(06) 2007/2008	(12) 2006/2007	(31)	
Total Claimed Amount	(07) 245,000.00	(13) 226,423.00	(32)	
Less: 10% Late Penalty, not to exceed \$1,000		(14) 0.00	(33)	
Less: Prior Claim Payment Received		(15)	(34)	
Net Claimed Amount		(16) 226,423.00	(35)	
Due from State	(08) 245,000.00	(17) 226,423.00	(36)	
Due to State		(18) 0		
(37) CERTIFICATION OF CLAIM				
In accordance with the provisions of Government Code 17561, I certify that I am the officer authorized by the school district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.				
I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increase level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.				
The amounts of Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Officer		Date		
		2-14-08		
Sandra L. Meekins		Director - Fiscal Services		
Type or Print Name		Title		
(38) Name of Contact Person for Claim		Telephone Number	Telephone Number	
Annette Alvarez		(951) 352-6723	Ext. 206	
		E-mail Address	aalvarez@rusd.k12.ca.us	

State Controller's Office

School Mandated Cost Manual

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