

**ITEM 9**  
**INCORRECT REDUCTION CLAIM**  
**PROPOSED DECISION**

Education Code section 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023; Statutes 1995, Chapter 19

*Notification of Truancy*

Fiscal Years 2006-2007 through 2009-2010

13-904133-I-11

San Juan Unified School District, Claimant

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Controller's Letter on AB 1698, dated July 17, 2007

Excerpt from Government Auditing Standards, 2003

Controller Audit Reports issued for *Notification of Truancy*

# SixTen and Associates

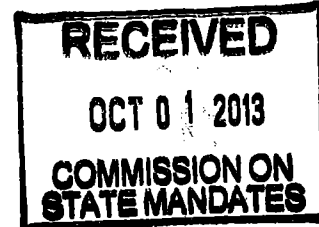
## Mandate Reimbursement Services

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September 30, 2013

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



RE: 498/83 Notification of Truancy-Audit #3  
San Juan Unified School District  
Fiscal Years 2006-07 through 2009-10  
Incorrect Reduction Claim

Dear Ms. Halsey:

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "KB Petersen".

Keith B. Petersen

Enclosure: Incorrect Reduction Claim

C: Kent Stephens, Chief Financial Officer

# COMMISSION ON STATE MANDATES

## 1. INCORRECT REDUCTION CLAIM TITLE

498/83 Notification of Truancy #3

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

## 2. CLAIMANT INFORMATION

San Juan Unified School District

Kent Stephens, Chief Financial Officer  
San Juan Unified School District  
3738 Walnut Avenue

P.O. Box 477

Carmichael, CA 95609-0477

Voice: 916-971-7238

Fax: 916-979-8215

E-Mail: kent.stephens@sanjuan.edu

## 3. CLAIMANT REPRESENTATIVE INFORMATION

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

Keith B. Petersen, President

SixTen and Associates

P. O. Box 340430

Sacramento, California 95834-0430

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*For GCM Use Only*

Filing Date: \_\_\_\_\_

**RECEIVED**  
**OCT 01 2013**  
**COMMISSION ON STATE MANDATES**

IRC #: \_\_\_\_\_ **13-904133-I-11**

## 4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

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

## 5. AMOUNT OF INCORRECT REDUCTION

<u>Fiscal Year</u>	<u>Amount of Reduction</u>
2006-07	\$ 33,802
2007-08	\$ 23,449
2008-09	\$ 27,160
2009-10	\$ 21,122
<b>TOTAL:</b>	<b>\$105,533</b>

## 6. NOTICE OF NO INTENT TO CONSOLIDATE

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

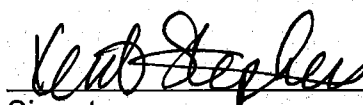
Sections 7-12 are attached as follows:

<b>7. Written Detailed Narrative</b>	Pages 1 to 23
<b>8. Parameters and Guidelines</b>	Exhibit <u>A &amp; B</u>
<b>9. Controllers Claiming Instructions</b>	Exhibit <u>C</u>
<b>10. Controller's Final Audit Report</b>	Exhibit <u>D</u>
<b>11. "Statistical Sampling Revisited"</b>	Exhibit <u>E</u>
<b>12. Annual Reimbursement Claims:</b>	Exhibit <u>F</u>

## 13. 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.

Kent Stephens, Chief Financial Officer

  
Signature

9/25/13  
Date

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

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

12 INCORRECT REDUCTION CLAIM OF: )	No. CSM _____
13 )	
14 )	Chapter 498, Statutes of 1983
15 )	Education Code Section 48260
16 <b>SAN JUAN UNIFIED</b> )	Education Code Section 48260.5
17 )	
18 )	<b><u>Notification of Truancy #3</u></b>
19 <b>School District</b> )	
20 )	Annual Reimbursement Claims:
21 Claimant. )	Fiscal Year 2006-07
22 )	Fiscal Year 2007-08
23 )	Fiscal Year 2008-09
24 )	Fiscal Year 2009-10
25 _____ )	

26 INCORRECT REDUCTION CLAIM FILING

27 PART I. AUTHORITY FOR THE CLAIM

28 The Commission on State Mandates has the authority pursuant to Government  
29 Code Section 17551(d) to "... hear and decide upon a claim by a local agency or  
30 school district filed on or after January 1, 1985, that the Controller has incorrectly  
31 reduced payments to the local agency or school district pursuant to paragraph (2) of  
32 subdivision (d) of Section 17561." San Juan Unified School District (hereafter "District")  
33 is a school district as defined in Government Code Section 17519. Title 2, CCR,

Incorrect Reduction Claim of San Juan Unified School District  
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1 Section 1185 (a), requires the claimant to file an incorrect reduction claim with the  
2 Commission.

3 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),  
4 requires incorrect reduction claims to be filed no later than three years following the  
5 date of the Controller's remittance advice notifying the claimant of a reduction. A  
6 Controller's audit report dated November 30, 2011, has been issued and constitutes a  
7 demand for repayment and adjudication of the claim.

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

11 PART II. SUMMARY OF THE CLAIM

12 The Controller conducted a field audit of the District's annual reimbursement  
13 claims for Fiscal Years 2006-07, 2007-08, 2008-09, and 2009-10 for the costs of  
14 complying with the legislatively mandated program 498/83 Notification of Truancy. As a  
15 result of the audit, the Controller determined that \$105,533 of the claimed costs were  
16 unallowable:

17	Fiscal	Amount	Audit	SCO	Amount Due
18	<u>Year</u>	<u>Claimed</u>	<u>Adjustment</u>	<u>Payments</u>	<u>&lt;State&gt; District</u>
19	2006-07	\$291,023	\$33,802	\$54,550	\$202,671
20	2007-08	\$302,988	\$23,449	\$ 9	\$279,530
21	2008-09	\$290,617	\$27,160	\$65,849	\$197,608
22	2009-10	<u>\$307,418</u>	<u>\$21,122</u>	<u>\$60,382</u>	<u>\$225,914</u>
23	Totals	\$1,192,046	\$105,533	\$180,790	\$905,723

1 The audit report states that the District was paid \$180,790 for these annual claims and  
2 concludes that the amount of \$905,723 is due to the District.

3 PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

4 FIRST AUDIT: The District filed an incorrect reduction claim for the first audit of this  
5 program for Fiscal Years 1999-00, 2000-01, and 2001-02 on December 18, 2007. The  
6 District filed a revised incorrect reduction claim for those fiscal years on July 16, 2010,  
7 in response to a revised audit report dated November 25, 2009.

8 SECOND AUDIT: The District filed an incorrect reduction claim for the second audit of  
9 this program for Fiscal Years 2002-03, 2003-04, 2004-05, and 2005-06 on October 6,  
10 2010.

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

14 PART IV. BASIS FOR REIMBURSEMENT

15 1. Mandate Legislation

16 Chapter 498, Statutes of 1983 added Section 48260.5 to the Education Code to  
17 require school districts to notify parents or guardians of the pupil's initial classification  
18 as truant:

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

- 22 (1) That the pupil is truant.  
23 (2) That the parent or guardian is obligated to compel the attendance  
24 of the pupil at school.

Incorrect Reduction Claim of San Juan Unified School District  
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- 1                   (3)     That parents or guardians who fail to meet this obligation may be  
2                             guilty of an infraction and subject to prosecution pursuant to Article  
3                             6 (commencing with Section 48290) of Chapter 2 of Part 27.  
4           (b)     The district also shall inform the parents or guardians of the following:  
5                   (1)     Alternative educational programs are available in the district.  
6                   (2)     The right to meet with appropriate school personnel to discuss  
7                             solutions to the pupil's truancy.

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

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

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

18                  2.     Test Claim

19                             The State Board of Control, the predecessor body to the Commission on State  
20                             Mandates, with jurisdiction regarding costs mandated by the state, determined on  
21                             November 29, 1984, that Education Code Section 48260.5 imposed a new program or  
22                             an increased level of service by requiring notifications be sent to the parents or  
23                             guardians of pupils upon initial classification of truancy, which at the time the test claim  
24                             was adopted, occurred upon the fourth truancy or tardy.

25                  3.     Parameters and Guidelines

26                             The original parameters and guidelines were adopted on August 27, 1987,

Incorrect Reduction Claim of San Juan Unified School District  
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1 amended on July 28, 1988, and then amended a second time on July 22, 1993.

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

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

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

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

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

20 (a) That the pupil is truant.

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

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

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

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

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

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

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



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1           These amendments created a conflict between the Education Code and the  
2 parameters and guidelines. The second amended parameters and guidelines  
3 continued to require a notice of *five* elements to be issued upon the *fourth* occasion of  
4 absence even though Education Code Section 48260.5 had been amended to require a  
5 notice of *eight* elements to be issued upon the *third* occasion of absence. Resolution of  
6 this conflict was the subject of Chapter 69, Statutes of 2007 (AB 1698), which required  
7 the Commission on State Mandates to update the parameters and guidelines. On  
8 January 31, 2008, the Commission adopted the third-amended parameters and  
9 guidelines pursuant to Chapter 69, Statutes of 2007, retroactively effective July 1, 2006,  
10 for annual claims beginning FY 2006-07. A copy of the January 31, 2008, parameters  
11 and guidelines is attached as Exhibit "A."

12           The parameters and guidelines were further amended on May 27, 2010, to  
13 update "boilerplate language" clarifying source documentation requirements and record  
14 retention language pursuant to a request by the Controller, retroactively effective to July  
15 1, 2006. A copy of the May 27, 2010, parameters and guidelines is attached as Exhibit  
16 "B."

17   4.   Claiming Instructions

18           The Controller has periodically issued or revised claiming instructions for the  
19 mandate program. A copy of the October 1996 revision of the claiming instructions is  
20 attached as Exhibit "C." The October 1996 claiming instructions are believed to be, for  
21 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 except as to the annual update to the unit cost allowance. However,  
3 since the Controller's claim forms and instructions have not been adopted as  
4 regulations, they have no force of law and no effect on the outcome of this revised  
5 incorrect reduction claim.

6 PART V. STATE CONTROLLER CLAIM ADJUDICATION

7 The Controller conducted a field audit of the District's annual reimbursement  
8 claims for Fiscal Years 2006-07, 2007-08, 2008-09, and 2009-10. A copy of the  
9 November 30, 2011, audit report is attached as Exhibit "D."

10 VI. CLAIMANT'S RESPONSE TO THE STATE CONTROLLER

11 By letter dated October 25, 2011, the Controller transmitted a copy of its draft  
12 audit report. The District objected to the proposed adjustments for Findings 1 and 2 by  
13 letter dated November 2, 2011. A copy of the District's response is included in Exhibit  
14 "D," the final audit report. The Controller then issued the final audit report without  
15 making any substantive changes.

16 PART VII. STATEMENT OF THE ISSUES

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

18 The audit report concludes that the District claimed costs for non-reimbursable  
19 initial truancy notifications in the amount of \$105,533 for Fiscal Years 2006-07, 2007-  
20 08, 2008-09, and 2009-10. This represents about 8.9% of the total claimed amount of  
21 \$1,192,046 for the three fiscal years. The audit states that the disallowed initial truancy

1 notifications pertain to students who accumulated fewer than three unexcused  
2 absences or tardiness occurrences while between ages 6 and 18, and students who  
3 accumulated fewer than three unexcused absences or tardiness occurrences during the  
4 school year.

5 THE ISSUE OF STATISTICAL SAMPLING AND EXTRAPOLATION

6 Reimbursement for this mandate is based on the actual number of notifications  
7 distributed, multiplied by a uniform cost allowance for reimbursement in lieu of reporting  
8 staff time and materials cost. The dollar amounts of the adjustments are the result of  
9 reductions in the number of notices approved for reimbursement based upon the  
10 auditor's review of a random sample of truancy notifications. The audit report states  
11 that this finding is based on a statistical sample of 1,180 truancy notifications (588 for  
12 daily attendance and 592 for period attendance) actually examined from a universe of  
13 69,139 notices (30,232 + 38,907) for the four fiscal years.

14 A. Legal Basis for Reimbursement Based on Statistical Sampling

15 The essential legal issue for this finding is whether the Controller can adjust  
16 claims utilizing an extrapolation of findings from an audit sample. The propriety of a  
17 mandate audit adjustment based on the statistical sampling technique is a threshold  
18 issue in that if the methodology used is rejected, as it should be, the extrapolation is  
19 void and the audit findings can only pertain to documentation actually reviewed, that is,  
20 the 1,180 notifications examined for the criteria of whether there were a sufficient  
21 number of absences or tardies to justify the initial notification of truancy and the age of

Incorrect Reduction Claim of San Juan Unified School District  
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1 the student.

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

5 - "The SCO did, in fact, conclude that the district's claim was excessive." That  
6 conclusion is not responsive to the sampling issue presented. The conclusion is also  
7 unavailing since the Notification of Truancy mandate is reimbursed based on a unit-cost  
8 rate allowance which was determined by the Commission on State Mandates to be a  
9 reasonable representation of actual costs incurred by districts.

10 -"Government Code section 17561, subdivision (d)(2) allows the SCO to audit  
11 the district's records to verify *actual* mandate-related costs" and "In addition,  
12 Government Code Section 12410 states 'the Controller shall audit all claims against the  
13 state, and may audit the disbursement of any state money, for correctness, legality, and  
14 for sufficient provisions of law for payment.'" The District concurs that the Controller has  
15 authority to audit mandate claims, but asserts that it must be done legally and logically.  
16 The District does not dispute the Controller's authority to audit claims for mandated  
17 costs and to reduce those costs that are excessive or unreasonable. This authority is  
18 expressly contained in Government Code Section 17561. However, Section 12410 is  
19 found in the part of the Government Code that provides a general description of the  
20 duties of the Controller. It is not specific to the audit of mandate reimbursement claims.  
21 The only applicable audit standard for mandate reimbursement claims is found in

Incorrect Reduction Claim of San Juan Unified School District  
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1 Government Code Section 17561(d)(2). The fact that Section 17561(d)(2) specifies its  
2 own audit standard (excessive or unreasonable) implies that the general Controller  
3 audit standard (correctness, legality, and sufficient provisions of law) does not control  
4 here. Therefore, the Controller may only reduce a mandate reimbursement claim if it  
5 specifically finds that the amounts claimed are unreasonable or excessive under  
6 Section 17561(d)(2). Further, the Controller has not asserted or demonstrated that, if  
7 Section 12410 was the applicable standard, the audit adjustments were made in  
8 accordance with this standard. The District's claim was correct, in that it reported the  
9 number of notices distributed. There is also no allegation in the audit report that the  
10 claim was in any way illegal. Finally, the phrase "sufficient provisions of law for  
11 payment" refers to the requirement that there be adequate appropriations prior to the  
12 disbursement of any funds. There is no indication that any funds were disbursed  
13 without sufficient appropriations. Thus, even if the standards of Section 12410 were  
14 applicable to mandate reimbursement audits, the Controller has failed to put forth any  
15 evidence that these standards are not met or even relevant. There is no indication that  
16 the Controller is *actually* relying on the audit standards set forth in Section 12410 for the  
17 adjustments to the District's reimbursement claims.

18 -"The SCO conducted its audit according to generally accepted government  
19 auditing standards [GAGAS] (*Government Auditing Standards*, issued by the U.S.  
20 Government Accountability Office [GAO], July 2007)." The audit report asserts that the  
21 "standards recognize statistical sampling as an acceptable method to provide sufficient,

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1 appropriate evidence” but does not cite specific GAO or GAGAS language in support of  
2 that assertion. The audit report does not explain how a statistical sample that provides  
3 “appropriate evidence” of the scope and reliability of source documentation is therefore  
4 a source of findings of actual cost or pervasive compliance with the mandate program  
5 requirements. Notwithstanding, the GAO auditing guide referenced specifically pertains  
6 to audits of federal funds and state mandate reimbursement does not utilize federal  
7 funds. Further, the GAO audit guide has not been adopted pursuant to any state  
8 agency rulemaking nor is it included as a standard in the parameters and guidelines, so  
9 claimants could not be on legal notice if its requirements, assuming its requirements  
10 were relevant to mandate audits, nor could the District have actual notice of the GAO  
11 guide since the Controller does not publish its audit standards. Adjustment of the  
12 claimed costs based on an extrapolation from a statistical sample is utilizing a standard  
13 of general application without the benefit of compliance with the Administrative  
14 Procedure Act. Thus, the application of the method is prohibited by the Government  
15 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 most typically an internal control compliance test. In the case of reimbursement for this

Incorrect Reduction Claim of San Juan Unified School District  
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1 mandate, the state reimburses a specific dollar amount for each transaction, that is, a  
2 notice sent to parents, so that a dollar amount outcome is not being tested. What the  
3 Controller purports to be testing is whether the notices are reimbursable based on the  
4 number of prerequisite absences or content of the notice, which is testing for procedural  
5 compliance.

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

14 C. Sample Risk

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

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1 students, these samples would also not be representative of the universe since the  
 2 possibility of a special education student being under-age or over-age is greater than  
 3 the entire student body. The District does not assert that the incidence of kindergarten  
 4 students or special education students is either proportionate or disproportionate, rather  
 5 that a kindergarten pupil is more likely to be under-age and a special education pupil is  
 6 more likely to be over-age than other students sampled, and thus not representative.

7 D. Sample Error

8 <u>Elementary Schools</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>Total</u>
9 Audited notifications claimed	8,680	8,001	7,545	6,006	30,232
10 Total notices in entire sample	148	147	147	146	588
11 Percentage of the sample to total	1.7%	1.8%	1.9%	2.4%	1.9%

12 Audit Results:

13 Alleged "noncompliant" notices	26	19	24	3	72
14 Percentage "noncompliant"	17.6%	12.9%	16.3%	2.05%	12.2%

15 Secondary Schools

16 Audited notifications claimed	9,340	9,533	8,837	11,197	38,907
17 Total notices in entire sample	148	148	148	148	592
18 Percentage of the sample to total	1.6%	1.6%	1.7%	1.3%	1.5%

19 Audit Results:

20 Alleged "noncompliant" notices	9	5	5	14	33
21 Percentage "noncompliant"	6.08%	3.38%	3.38%	9.46%	5.57%



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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 four sampled fiscal years, the Controller determined that there  
6 were 69,139 notices (30,232 + 38,907) in the distributed notices universe. The total  
7 sample size for all four years was 1,180 truancy notifications (588 + 592) which is 1.7% of  
8 the universe. The stated precision rate was plus or minus 8%, even though the sample  
9 size is essentially identical for all four fiscal years (either 146, 147, or 148), and even  
10 though the audited number of notices claimed for daily accounting (elementary schools)  
11 in FY 2006-07 (8,680) is 45% larger than the size of FY 2009-10 (6,006). The expected  
12 error rate is stated to be 50%, which means the total adjustment amount of \$105,533 is  
13 really just a number exactly between \$52,767 (50%) and \$158,300 (150%). An interval of  
14 possible outcomes cannot be used as a finding of absolute actual cost.

15           The Controller does not assert that the unit cost allowance is 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 San Juan Unified School District  
 498/83 Notification of Truancy #3

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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 1,180 notices  
 4 actually investigated. The Controller cannot disallow costs for noncompliance for notices  
 5 which were never audited.

6 The audit report disallows 105 (72+33) of the 1,180 notifications evaluated for two  
 7 reasons:

8 <u>DISALLOWANCE REASON</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>TOTAL</u>
9 <u>Daily Attendance</u>					
10 Underage (less than 6 years)	20	16	22	1	59
11 Less than 3 Absences	<u>6</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>13</u>
12 Total Disallowed	26	19	24	3	72
13 Sample Size	148	147	147	146	588
14 Percentage Disallowance	17.6%	12.9%	16.3%	2.05%	12.2%
15 <u>Period Attendance</u>					
16 Overage (18 years plus)	9	5	4	9	27
17 Less than 3 Absences	<u>—</u>	<u>—</u>	<u>1</u>	<u>5</u>	<u>6</u>
18 Total Disallowed	9	5	5	14	33
19 Sample Size	148	148	148	148	592
20 Percentage Disallowance	6.08%	3.38%	3.38%	9.46%	5.57%

1 E. Age of Student

2 The audit report disallows 59 notices in the audit sample for the elementary school  
3 (daily attendance accounting) for students that were less than six years of age and  
4 disallows 27 notices in the audit sample for secondary schools (period attendance  
5 accounting) for students that were older than eighteen years of age, citing the compulsory  
6 attendance law, Education Code Section 48200.<sup>1</sup> Section 48200 and Section 48400<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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-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.

Incorrect Reduction Claim of San Juan Unified School District  
498/83 Notification of Truancy #3

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1 establish the legal *requirement* for attendance for persons of the ages 6 through 18 years  
2 of age, and is an offense enforceable against parents who fail to send their children to  
3 school. However, younger persons have the statutory entitlement to attend kindergarten  
4 pursuant to Section 48000<sup>3</sup>, and first-grade pursuant to Section 48010<sup>4</sup> and Section  
5 48011<sup>5</sup>, that cannot be denied by a school district. In addition, special education students

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<sup>3</sup> 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.

<sup>4</sup> 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.

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

Incorrect Reduction Claim of San Juan Unified School District  
498/83 Notification of Truancy #3

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1 are statutorily entitled to educational services from ages 3 to 22 years pursuant to Section  
2 56026.<sup>6</sup>

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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.

<sup>6</sup> 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

1 The District is required by Section 46000<sup>7</sup> to record and keep attendance and

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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 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.

Incorrect Reduction Claim of San Juan Unified School District  
498/83 Notification of Truancy #3

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1 report absences of *all students* according to the regulations of the State Board of  
2 Education for purposes of apportionment and general compliance with the compulsory  
3 education law (Title 5, CCR, Section 400<sup>8</sup>, et seq.). The initial notification of truancy is a  
4 product of the attendance accounting process and promotes compliance of the  
5 compulsory education law and *every pupil's* duty to attend school regularly (Title 5, CCR,  
6 Section 300<sup>9</sup>).

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<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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 San Juan Unified School District  
498/83 Notification of Truancy #3

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1 **Amount Paid by The State**

2 This issue was not an audit finding. The amount of payments received from the  
3 state is an integral part of the reimbursement calculation. The Controller changed all of  
4 the claimed payment amounts received without a finding in the audit report.

5

	Fiscal Year of Claim			
<u>Amount Paid by the State</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
7 As Claimed	\$ 0	\$ 0	\$ 0	\$ 0
8 Audit Report	\$54,550	\$ 9	\$65,849	\$60,382

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

11 **PART VIII. RELIEF REQUESTED**

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



Incorrect Reduction Claim of San Juan Unified School District  
498/83 Notification of Truancy #3

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1 enforce these adjustments without benefit of statute or regulation, the burden of proof is  
2 now upon the Controller to establish a legal basis for its actions.

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

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Incorrect Reduction Claim of San Juan Unified School District  
498/83 Notification of Truancy #3

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PART IX. CERTIFICATION

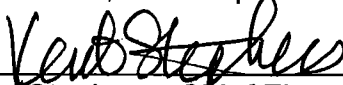
By my signature below, I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief, and that the attached documents are true and correct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

Executed on September 25 2013, at Carmichael, California, by

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

APPOINTMENT OF REPRESENTATIVE

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

  
Kent Stephens, Chief Financial Officer  
San Juan Unified School District

9/25/13  
Date

Attachments:

Exhibit "A"	Parameters and Guidelines as amended January 31, 2008
Exhibit "B"	Parameters and Guidelines as amended May 27, 2010
Exhibit "C"	Controller's Claiming Instructions revised October 1996
Exhibit "D"	Controller's Audit Report dated November 30, 2011
Exhibit "E"	"Statistical Sampling Revisited" by Neal B. Hitzig, CPA
Exhibit "F"	Annual reimbursement claims



Adopted: 8/27/87  
Amended: 7/28/88  
Amended: 7/22/93  
Amended: 1/31/08

## AMENDMENTS TO PARAMETERS AND GUIDELINES AS DIRECTED BY THE LEGISLATURE

*Statutes 2007, Chapter 69 (AB 1698)*

Education Code Section 48260.5  
Statutes 1983, Chapter 498  
[Statutes 1994, Chapter 1023]  
[Statutes 1995, Chapter 19]

*Notification of Truancy*  
07-PGA-01 (4133)

### I. BACKGROUND AND SUMMARY OF MANDATE

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

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

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

#### Board of Control Decision

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

Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

II. ELIGIBLE CLAIMANTS

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

III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

IV. REIMBURSABLE COSTS

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

- a. That the pupil is truant.
- b. That the parent or guardian is obligated to compel the attendance of the pupil at school.
- c. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.

- d. That alternative educational programs are available in the district.
- e. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
- f. That the pupil may be subject to prosecution under Section 48264.
- g. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
- h. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

C. Uniform Cost Allowance

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

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

D. Unique Costs

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

V. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VI. 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**.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

IX. REQUIRED CERTIFICATION

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





Adopted: 8/27/87  
Amended: 7/28/88  
Amended: 7/22/93  
Amended: 1/31/08  
Amended: 5/27/10

**Amendment to Parameters and Guidelines  
as Directed by the Legislature**

*Statutes 2007, Chapter 69 (AB 1698)*

Education Code Section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

Statutes 1995, Chapter 19

*Notification of Truancy*

05-PGA-56 (07-PGA-01; 4133)

Effective Date: Beginning with Claims Filed for the  
July 1, 2006 – June 30, 2007 Period of Reimbursement

I. BACKGROUND AND SUMMARY OF MANDATE

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

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

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

Board of Control Decision

On November 29, 1984, the State Board of Control determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a

state mandated program because it requires an increased level of service by requiring specified notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

II. ELIGIBLE CLAIMANTS

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

III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

IV. REIMBURSABLE COSTS

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

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

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

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

C. Uniform Cost Allowance

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

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

D. Unique Costs

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

V. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>1</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

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

A. Uniform Allowance Reimbursement

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

B. Reimbursement of Unique Costs

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

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the uniform cost allowance and actual cost reimbursement for unique circumstances claimed. In addition, reimbursement for this mandated

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<sup>1</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

program received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

IX. REQUIRED CERTIFICATION

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





9/13  
6/1/10

## 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.

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561  <b>NOTIFICATION OF TRUANCY</b>	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	<b>Program</b>  <span style="font-size: 2em; font-weight: bold;">048</span>
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L A B E L  H E R E	(01) Claimant Identification Number		<b>Reimbursement Claim Data</b>		
	(02) Claimant Name		(22) NOT-1, (03)		
	County of Location		(23)		
	Street Address or P.O. Box <span style="float: right;">Suite</span>		(24)		
	City <span style="float: right;">State</span> <span style="float: right;">Zip Code</span>		(25)		
<b>Type of Claim</b>		<b>Estimated Claim</b>		<b>Reimbursement Claim</b>	
		(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)	
		(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)	
		(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)	
				(29)	
<b>Fiscal Year of Cost</b>		(06) 20__/20__	(12) 20__/20__	(30)	
<b>Total Claimed Amount</b>		(07)	(13)	(31)	
<b>Less: 10% Late Penalty, not to exceed \$1,000</b>			(14)	(32)	
<b>Less: Prior Claim Payment Received</b>			(15)	(33)	
<b>Net Claimed Amount</b>			(16)	(34)	
<b>Due from State</b>		(08)	(17)	(35)	
<b>Due to State</b>			(18)	(36)	

**(37) CERTIFICATION OF CLAIM**

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

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

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

Signature of Authorized Officer	Date
Type or Print Name	Title
(38) Name of Contact Person for Claim	Telephone Number ( ) - Ext.
	E-Mail Address

Program <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>Certification Claim Form</b> <b>Instructions</b>	<b>FORM</b> <b>FAM-27</b>
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

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

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

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

*Address, if delivered by other delivery service:*

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

Program <b>048</b>	MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY	FORM 1
(01) Claimant	(02) Fiscal Year ____ / ____	
<b>Claim Statistics</b>		
(03) Number of truant notifications		
(04) Unit Cost	[\$16.15 for fy 2006-07]	
(05) Total Costs	[Line (03) x line (04)]	
<b>Cost Reduction</b>		
(06) Less: Offsetting Savings		
(07) Less: Other Reimbursements		
(08) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

Program <b>048</b>	<b>NOTIFICATION OF TRUANCY          CLAIM SUMMARY          Instructions</b>	<b>FORM          1</b>
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- (01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A Form-1 should be completed for each department.
- (02) Enter the fiscal year of costs.
- (03) Enter the number of truant notifications that were sent during the fiscal year of claim, upon the students' initial classification of truancy.
- (04) The unit cost rate for fiscal year 06-07 is \$16.15 per initial notification. This unit cost rate will be updated annually in the Annual Revisions for Schools issued in September.
- (05) Multiply line (03), the number of truant notifications by line (04), the unit cost rate.
- (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 including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (08) Total Claimed Amount. From Total Costs, line (05), subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07). Enter the remainder on this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.

**RECEIVED**  
December 16, 2013  
*Commission on  
State Mandates*

## FILING A CLAIM

### 1. Introduction

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

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

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

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

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

### 2. Types of Claims

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

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



**A. Reimbursement Claim**

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

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

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

An actual claim for the 2006-07 fiscal year may be filed by February 15, 2008, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. In order for a claim to be considered properly filed, it must include any specific supporting documentation requested in the instructions. Claims filed more than one year after the deadline or without the requested supporting documentation will not be accepted.

**B. Estimated Claim**

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

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

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

**C. Entitlement Claim**

An entitlement claim is defined in GC Section 17522 as any claim filed by a school district and county superintendent of schools with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by February 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs. School mandates included in SMAS are listed on page 5.

Once a mandate has been included in SMAS and the claimant has established a base year entitlement, the claimant will receive automatic payments from the SCO for the mandate. The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the implicit price deflator of costs of goods and services to governmental agencies,

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

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

### **3. Minimum Claim Amount**

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

### **4. Filing Deadline for Claims**

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

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

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

### **5. Payment of Claims**

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must

be properly filled out, signed, and dated by the entity's authorized officer.

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

Pursuant to GC section 17561(d), the Controller shall pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

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

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

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

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

## **6. State Mandates Apportionment System (SMAS)**

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

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each school district that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the Implicit Price Deflator (IPD), which is applied separately to each year's costs for

the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the COSM's approval.

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

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

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

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

School Mandates Included in SMAS

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

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

## 7. Direct Costs

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

### (1) Employee Wages, Salaries, and Fringe Benefits

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

#### (a) Productive Hourly Rate Options

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

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

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

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

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

**(b) Compute a Productive Hourly Rate**

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

**Table 1: Productive Hourly Rate, Annual Salary + Benefits Method**

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

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

**Table 2: Productive Hourly Rate, Percent of Salary Method**

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

- As illustrated in Table 3, both methods produce the same productive hourly rate. Reimbursement for personnel services includes, but is not limited to, compensation paid

for salaries, wages, and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, workmen's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

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

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

### (c) Calculating an Average Productive Hourly Rate

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

**Table 3: Calculating an Average Productive Hourly Rate**

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

### (d) Employer's Fringe Benefits Contribution

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

For example:

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

**(e) Materials and Supplies**

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

**(f) Calculating a Unit Cost for Materials and Supplies**

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

**Table 1: Calculating A Unit Cost for Materials and Supplies**

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

**Table 2: Calculating a Unit Cost for Materials and Supplies**

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

**(g) Contract Services**

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

**(h) Equipment Rental Costs**

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

**(i) Capital Outlay**

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

**(j) Travel Expenses**

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



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

**(k) Documentation**

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

**8. Indirect Costs**

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

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

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

**9. Time Study Guidelines**

**Background**

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

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

**Actual Time Reporting**

Parameters and Guidelines define reimbursable activities for each mandated cost program. (Some P's & G's refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which

clarify documentation requirements discussed under the Reimbursable Activities section of recent P's & G's):

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

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

### **Time Study**

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

### **Time Study Plan**

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

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

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

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

large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

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

### Time Study Documentation

Time studies must:

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

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

### Time Study Results

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

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

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

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

## 10. Offset Against State Mandated Claims

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

### Example 1:

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

**Table 5: Offset Against State Mandates, Example 1**

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

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

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

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

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

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

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

### Example 2:

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

**Table 6: Offset Against State Mandates, Example 2**

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

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

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

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

### **Federal and State Funding Sources**

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

### **Governing Authority**

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular (OMB) 2 CFR Part 225.

## **11. Notice of Claim Adjustment**

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

## **12. Audit of Costs**

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

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

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

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

### **13. Source Documents**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

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

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

### **14. Claim Forms and Instructions**

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

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

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

## B. Form-1, Claim Summary

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

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

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

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

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

If delivered by  
U.S. Postal Service:

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

If delivered by  
Other delivery services:

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

## 15. Retention of Claiming Instructions

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

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

## 16. Retention of Claim Records and Supporting Documentation

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

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.



OFFICE OF THE STATE CONTROLLER

STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2007-19

ANNUAL REVISIONS - SCHOOL DISTRICTS

NOVEMBER 2, 2007

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

Estimated claims for costs to be incurred during the 2007-08 fiscal year and reimbursement claims detailing the costs actually incurred in the 2006-07 fiscal year must be filed with the SCO. **Claims must be delivered or postmarked on or before February 15, 2008.** If the reimbursement claim is filed after the deadline, but by February 15, 2009, the approved claim will be reduced by a late penalty of 10% for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$10,000. In order for a claim to be considered properly filed, the claim must include supporting documentation as specified in the instructions to substantiate the costs claimed. In addition, the claimant must explain the functions performed by each employee for whom costs were claimed. Claims will not be accepted if filed more than one year after the deadline.

Pursuant to GC section 17561(d), the Controller shall pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later.

Amounts appropriated for payment of program costs are shown beginning on page five under "Appropriations for the 2007-08 Fiscal Year." The fiscal years for which costs can be claimed for a program are shown beginning on page six under "Reimbursable State Mandated Cost Programs." To prepare 2007-08 estimated claims and 2006-07 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

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

If delivered by  
U.S. Postal Service:

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

If delivered by  
Other delivery services:

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

## **MINIMUM CLAIM COST**

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

## **ESTIMATED CLAIMS**

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

## **PROGRAM UPDATES FOR 2006-07 FISCAL YEAR**

### **Updates of Rates and Factors**

The following rates are to be used for filing 2006-07 reimbursement claims. These rates are computed by adjusting the 2005-06 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of April 30, 2007, *National Deflators, State and Local Purchases*. The estimated change in the IPD for 2006-07 is 3.9%. For preparing the 2007-08 estimated claims, districts may use the program's 2006-07 rate or increase the 2006-07 rate by the estimated 2007-08 IPD change of 2.6% to determine 2007-08 estimated claim amounts. In the subsequent fiscal year, the estimated amount must be adjusted to actual cost.

- *Ch. 448/75, Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools/Pupil Suspensions: Parent Classroom Visits (Program No. 272).*

The 2006-07 unit rate is \$0.0817 per page of printed notification material distributed to parents and guardians, and \$0.3055 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2006-07 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is \$4.031.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2006-07 maximum reimbursement hourly rate for contract services is \$138.05. Staffing cost reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class.

The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2006-07 unit rate is \$6.39 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by the SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance (ADA) from the previous fiscal year.

Once the district has filed actual costs for 1989-90 through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2006-07 unit rate is \$7.79 per new entrant (K-12) and \$4.08 per student in the seventh grade. A new entrant does not include a student previously enrolled in a school within the State of California.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2006-07 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$45.11 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$32.07 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2006-07 unit cost reimbursement is \$16.15 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents or guardians, and associated record keeping.

- *Ch. 668/78, Pupil Exclusions (Program No. 165)*

The 2006-07 unit cost reimbursement is \$0.23 per page for the cost of including specific information in the notice of pupil exclusion to the parents or guardians. The unit cost rate covers all costs (direct and indirect) of performing activities required by subparagraph (2), (3), and (4), of Education Code Section 48213.

- Ch. 1347/80, Scoliosis Screening (Program No. 58)

The 2006-07 unit cost rate is \$7.66 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

- *Ch. 818/91, Aids Prevention Instruction II (Program No. 250)*

The 2006-07 uniform cost allowance is \$0.0773 per notice. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 1208/76, Pupil Health Screenings (Program 261)*

The 2006-07 uniform cost allowance for: (a) Notification to Parents is \$0.0800; (b) Obtaining Parental Compliance is \$5.19; (c) Exclusion of Pupils is \$13.65; (d) Statistical Reporting is not applicable since the reimbursement period expired 12/31/04.

### **FINAL FILING DEADLINE FOR 2006-07 FISCAL YEAR CLAIMS**

The filing deadline for 2006-07 reimbursement claims is **February 15, 2008**. A late penalty of 10% up to a maximum of \$10,000 of the approved claim will be applied to 2006-07 claims filed after February 15, 2008. **Claims filed after February 15, 2009, will not be accepted.**

## APPROPRIATIONS FOR THE 2007-08 FISCAL YEAR

### Item 6110-295-0001

272	(1)	Ch.	36/77	Annual Parent Notification	\$1,000
172	(2)	Ch.	98/94	Caregiver Affidavits	1,000
153	(3)	Ch.	161/93	Intradistrict Attendance	1,000
42	(4)	Ch.	486/75	Mandate Reimbursement Process	1,000 <sup>1</sup>
26	(5)	Ch.	498/83	Graduation Requirements	1,000
48	(6)	Ch.	498/83	Notification of Truancy	1,000
176	(7)	Ch.	498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
277	(8)	Ch.	781/92	Charter Schools III	1,000
N/A	(9)	Ch.	799/80	PERS Death Benefits	1,000 <sup>2</sup>
250	(10)	Ch.	818/91	AIDS Prevention Instruction I and II	1,000
11	(11)	Ch.	961/75	Collective Bargaining	1,000
139	(12)	Ch.	1208/76	Pupil Health Screenings	1,000
173	(13)	Ch.	975/95	Physical Performance Tests	1,000
155	(14)	Ch.	1011/84	Juvenile Court Notices II	1,000
57	(15)	Ch.	1107/84	Removal of Chemicals	1,000
157	(16)	Ch.	1117/89	Law Enforcement Agency Notifications	1,000
32	(17)	Ch.	1176/77	Immunization Records	1,000
166	(18)	Ch.	1184/75	Habitual Truants	1,000
176	(19)	Ch.	1253/75	Pupil Expulsion Transcripts	1,000
150	(20)	Ch.	1306/89	Notification to Teachers of Public Expulsion	1,000
58	(21)	Ch.	1347/80	Scoliosis Screening	1,000
N/A	(22)	Ch.	1398/74	PERS Unused Sick Leave Credit	1,000 <sup>2</sup>
182	(23)	Ch.	309/95	Pupil Residency Verification and Appeals	1,000
251	(24)	Ch.	588/97	Criminal Background Checks II	1,000
184	(25)	Ch.	624/92	School Bus Safety I and II	0 <sup>3</sup>
186	(26)	Ch.	465/76	Peace Officers Procedural Bill of Rights	1,000
192	(27)	Ch.	36/77	Financial and Compliance Audits	1,000
195	(28)	Ch.	640/97	Physical Education Reports	1,000
198	(29)	Ch.	1120/96	Health Benefits for Survivors of Peace Officers & Firefighters	1,000
209	(30)	Ch.	917/87	County Office of Education Fiscal Accountability Reporting	1,000
258	(31)	Ch.	100/81	School District Fiscal Accountability Reporting	1,000
194	(32)	Ch.	126/93	Law Enforcement Sexual Harassment Training	0 <sup>3</sup>
206	(33)	Ch.	784/95	County Treasury Withdrawals	0 <sup>3</sup>
223	(34)	Ch.	736/97	Comprehensive School Safety Plans	1,000
230	(35)	Ch.	325/78	Immunization Records-Hepatitis B	1,000
228	(36)	Ch.	1192/80	School District Reorganization	1,000
249	(37)	Ch.	34/98	Charter Schools II	1,000
251	(38)	Ch.	594/98	Criminal Background Checks II	1,000
226	(39)	Ch.	1170/96	Grand Jury Proceedings	0 <sup>3</sup>
244	(40)	Ch.	100/81	Pupil Promotion and Retention	1,000

<sup>1</sup> This program was suspended per Budget Act Item 8885-295-001, Sch. (3)(y) for the 2006-07 and 2007-08 fiscal years per Ch. 47 & 48/06 and Ch. 171 & 172/07.

<sup>2</sup> Numbers (9) and (22) are for transfer to the Public Employees' Retirement Fund for reimbursement of costs incurred pursuant to 799/80 or 1398/74.

<sup>3</sup> These programs have been suspended for 2006-07 and 2007-08

**Item 6110-295-0001 (Cont'd.)**

252	(41) Ch.	331/98	Teacher Incentive Program	1,000
253	(42) Ch.	30/98	Differential Pay and Reemployment	1,000
<b>Total Appropriations, Item 6110-295-0001</b>				<b><u>\$38,000</u></b>

**REIMBURSABLE STATE MANDATED COST PROGRAMS**

Claims for the following State mandated cost programs may be filed with the SCO. For your convenience, the programs are listed in alphabetical order by program name. An "X" indicates the fiscal year for which a claim may be filed.

2006-07 Reimburse- ment Claims	2007-08 Estimated Claims	Pgm. #	School Districts and County Offices of Education
x	x	170 Ch.	77/78 Absentee Ballots
x <sup>2</sup>	x <sup>1</sup>	269 Ch.	893/00 Agency Fee Arrangements
x	x	250 Ch.	818/91 AIDS Prevention Instruction II
x	x	172 Ch.	98/94 Caregiver Affidavits
x	x	249 Ch.	34/98 Charter Schools II
x <sup>1</sup>	x <sup>1</sup>	277 Ch.	34/98 Charter Schools III
x	x	209 Ch.	917/87 COE Fiscal Accountability Reporting
x	x	11 Ch.	961/75 Collective Bargaining
x	x	223 Ch.	736/97 Comprehensive School Safety Plans
x <sup>1</sup>	x <sup>1</sup>	272 Ch.	448/75 Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools
x	x	251 Ch.	594/98 Criminal Background Checks II
x	x	253 Ch.	30/98 Differential Pay and Re-employment
x	x	210 Ch.	650/94 Employee Benefits Disclosure
x	x	192 Ch.	36/77 Financial and Compliance Audits
x	x	26 Ch.	498/83 Graduation Requirements
x	x	166 Ch.	1184/75 Habitual Truant
x	x	198 Ch.	1120/96 Health Benefits for Survivors of Peace Officers & Firefighters
x <sup>1</sup>	x <sup>1</sup>	268 Ch.	1/99 High School Exit Exam
x	x	32 Ch.	1176/77 Immunization Records
x	x	230 Ch.	325/78 Immunization Records: Hepatitis B
x	x	153 Ch.	161/93 Intradistrict Attendance

<sup>2</sup> These are new programs and funding is not yet available for the 2006-07 and 2007-08 fiscal years.

**REIMBURSABLE STATE MANDATED COST PROGRAMS (Cont'd.)**

<b>2006-07 Reimburse- ment Claims</b>	<b>2007-08 Estimated Claims</b>	<b>Pgm #</b>	<b>School Districts and County Offices of Education</b>
x	x	155 Ch.	1011/84 Juvenile Court Notices II
x	x	157 Ch.	1117/89 Law Enforcement Agency Notifications
x	x	275 Ch.	249/86 Missing Children Reports
x <sup>3</sup>	x <sup>1</sup>	265 Ch.	828/97 National Norm-Referenced Achievement Test
x	x	48 Ch.	498/83 Notification of Truancy
x	x	150 Ch.	1306/89 Notification to Teachers: Pupils Subject to Suspension or Expulsion
x	x	186 Ch.	465/76 Peace Officers Procedural Bill of Rights
x	x	214 Ch.	875/85 Photographic Record of Evidence
x	x	195 Ch.	640/97 Physical Education Reports
x	x	173 Ch.	975/95 Physical Performance Tests
x	x	261 Ch.	965/77 Pupil Health Screenings
x	x	244 Ch.	100/81 Pupil Promotion and Retention
x	x	182 Ch.	309/95 Pupil Residency Verification and Appeals
x	x	176 Ch.	1253/75 Pupil Suspensions, Expulsions, and Expulsion Appeals
x	x	57 Ch.	1107/84 Removal of Chemicals
x	x	258 Ch.	100/81 School District Fiscal Accountability Reporting
x	x	228 Ch.	1192/80 School District Reorganization
x	x	58 Ch.	1347/80 Scoliosis Screening
x	x	208 Ch.	828/97 Standardized Testing & Reporting
x	x	252 Ch.	331/98 Teacher Incentive Program
x	x	162 Ch.	1249/92 Threats Against Peace Officers

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<sup>3</sup> These are new programs and funding is not yet available for the 2006-07 and 2007-08 fiscal years.

## **PROGRAMS SUSPENDED FOR THE 2007-08 FISCAL YEAR**

Pursuant to GC §17581.5, the following education state mandated programs are identified in the 2007 State Budget Act, with a \$0 appropriation. Therefore, the following state mandated programs have been suspended for the 2007-08 fiscal year, and no claim for fiscal year 2007-08 shall be filed.

### **Pgm. #**

206	Ch. 784/95	County Treasury Oversight Committee
226	Ch. 1170/96	Grand Jury Proceedings
194	Ch. 126/93	Law Enforcement Sexual Harassment Training
42	Ch. 486/75	Mandated Reimbursement Process
184	Ch. 624/92	School Bus Safety I & II

**The following education state mandated programs have been determined to be optional, repealed, or overturned by the court:**

### **Pgm. #**

148	Ch. 172/86	Interdistrict Attendance Permits
149	Ch. 172/86	Interdistrict Transfer Requests: Parent's Employment
165	Ch. 668/78	Pupil Exclusions ( <b>AB 2855 and SB 512 eff. 1/1/05 and 10/7/05 resp.</b> )
156	Ch. 160/93	School District of Choice: Transfers and Appeals
199	Ch. 1138/93	Schoolsite Councils and Brown Act Reform
146	Ch. 87/86	Schoolsite Discipline Rules

**The Commission on State Mandates has set aside the Parameters and Guidelines for the following programs:**

### **Pgm. #**

179	Ch. 778/96	American Government Course Documentation Requirements
218	Ch. 641/86	Open Meetings/Brown Act Reform ( <b>AB 138 effective 07/19/05</b> )
109 <sup>4</sup>	Ch. 1607/84	School Crimes Statistic Reporting and Validation
151 <sup>4</sup>	Ch. 965/77	Pupil Classroom Suspensions: Counseling
154 <sup>4</sup>	Ch. 965/77	Pupil Suspension: Parent Classroom Visits
171	Ch. 1463/89	School Accountability Report Cards ( <b>AB 2855 and SB 512 eff. 1/1/05</b> )
190 <sup>4</sup>	Ch. 759/92	School Crime Reporting II

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<sup>4</sup> Pursuant to AB 2855, Ch. 895/04, effective 1/1/05, and AB 38, Ch. 72/05 effective 7/19/05.



## **AUDIT OF COSTS**

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

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and shall be made available to the SCO on request.

## **SOURCE DOCUMENTS**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

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

## **RETENTION OF CLAIMING INSTRUCTIONS**

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

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

# NOTIFICATION OF TRUANCY

## 1. Summary of Chapter 498/83

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

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

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

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

## 2. Eligible Claimants

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

## 3. Appropriations

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

## 4. Types of Claims

### A. Reimbursement and Estimated Claims

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

### B. Minimum Claim

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

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

filing the claim.

## 5. Filing Deadline

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

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

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

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

## 6. Reimbursable Components

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

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

## 7. Reimbursement Limitations

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

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

## 8. Form NOT-1, Claim Summary

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

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

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

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561  <b>NOTIFICATION OF TRUANCY</b>	For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program <span style="font-size: 2em; font-weight: bold;">048</span>
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L A B E L  H E R E	(01) Claimant Identification Number		<b>Reimbursement Claim Data</b>	
	(02) Claimant Name		(22) NOT-1, (03)	
	County of Location		(23)	
	Street Address or P.O. Box Suite		(24)	
	City State Zip Code		(25)	
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(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)	
<b>Fiscal Year of Cost</b>	(06) <b>20</b> ___/20 ___	(12) <b>20</b> ___/20 ___	(30)	
<b>Total Claimed Amount</b>	(07)	(13)	(31)	
<b>Less: 10% Late Penalty, not to exceed \$1,000</b>		(14)	(32)	
<b>Less: Prior Claim Payment Received</b>		(15)	(33)	
<b>Net Claimed Amount</b>		(16)	(34)	
<b>Due from State</b>	(08)	(17)	(35)	
<b>Due to State</b>		(18)	(36)	

**(37) CERTIFICATION OF CLAIM**

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

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

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

Signature of Authorized Officer \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Type or Print Name \_\_\_\_\_ Title \_\_\_\_\_

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

<b>Program</b> <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>Certification Claim Form</b> <b>Instructions</b>	<b>FORM</b> <b>FAM-27</b>
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing a combined estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form NOT-1 and enter the amount from line (08).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form NOT-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs were incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), not to exceed \$1,000.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., NOT-1, (03), means the information is located on form NOT-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

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

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

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

*Address, if delivered by other delivery service:*

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

<b>Program</b> <b>048</b>	<b>MANDATED COSTS</b> <b>NOTIFICATION OF TRUANCY</b> <b>CLAIM SUMMARY</b>	<b>FORM</b> <b>1</b>
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(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 20__/20__
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**Claim Statistics**

(03) Number of truant notifications	
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**Cost**

(04) Unit Cost per an initial truancy notification	[\$16.15 for the 2006-07 fiscal year]	
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(05) Total Costs	[Line (03) x line (04)]	
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**Cost Reduction**

(06) Less: Offsetting Savings	
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(07) Less: Other Reimbursements	
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(08) Total Claimed Amount	[Line (05) – {(line (06) + line (07))}]	
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<b>Program</b> <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>CLAIM SUMMARY</b> <b>Instructions</b>	<b>FORM</b> <b>1</b>
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- (01) Enter the name of the claimant.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.  
  
 Form 1 must be filed for a reimbursement claim. Do not complete form 1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form 1 must be completed and a statement attached explaining the increased costs. Without this information the estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Number of truant notifications. Enter the number of initial notifications sent upon the student's fourth unexcused absence to inform the parent or guardian of their child's absence from school without a valid excuse or is tardy in excess of thirty (30) minutes for more than three days in one school year.
- (04) Unit cost rate for the 2006-07 fiscal year is \$16.15 per initial notification. This cost rate will be updated early and listed in the annual updates to claiming instructions mailed to school districts in September.
- (05) Total Costs. Multiply line (03) by the unit cost rate, line (04).
- (06) Less: Offsetting Savings. If applicable, enter the total savings experienced by the claimant as a direct result of this mandate. Submit a detailed schedule of savings with the claim.
- (07) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source (i.e., service fees collected, federal funds, other state funds etc.), which reimbursed any portion of the mandated program. Submit a detailed schedule of the reimbursement sources and amounts.
- (08) Total Claimed Amount. Subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07), from Total Costs, line (05). Enter the remainder of this line and carry the amount forward to form FAM-27, line (07) for the Estimated Claim or line (13) for the Reimbursement Claim.



## A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

### Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

#### Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

#### Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
  - Trip begins at or before 6 a.m. - Breakfast may be claimed
  - Trip begins at or before 11 a.m. - Lunch may be claimed
  - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
  - Trip ends at or after 8 a.m. - Breakfast may be claimed
  - Trip ends at or after 2 p.m. - Lunch may be claimed
  - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed  
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

### **Short-Term Travel Maximum Lodging Reimbursement Rate**

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

### **Long-Term Travel**

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

#### **A. Full Long-Term Travel**

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

**B. Partial Long-Term Travel**

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

**Receipts**

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
  1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
  2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
  3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
  4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

**Mileage**

Effective July 1, 2006, when an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, the employee will be allowed to claim and be reimbursed 44.5 cents per mile. Effective January 1, 2007, reimbursement rate is 48.5 cents per mile.

## B. GOVERNMENT CODE SECTIONS 17500-17617

### **GC §17500: Legislative Findings and Declarations**

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

### **GC §17510: Construction of Part**

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

### **GC §17511: "City"**

"City" means any city whether general law or charter, except a city and county.

### **GC §17512: "Commission"**

"Commission" means the Commission on State Mandates.

### **GC §17513: "Cost Mandated by the Federal Government"**

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

### **GC §17514: "Costs Mandated by the State"**

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

**GC §17515: "County"**

"County" means any chartered or general law county. "County" includes a city and county.

**GC §17516: "Executive Order"**

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

**GC §17517.5: "Cost Savings authorized by the state"**

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

**GC §17518: "Local Agency"**

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

**GC §17518.5: "Reasonable Reimbursement Methodology"**

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agency and school district costs mandated by the state that meets the following conditions: (1) The total amount to be reimbursed statewide is equivalent to total estimated local agency and school district costs to implement the mandate in a cost-efficient manner. (2) For 50 percent or more of eligible local agency and school district claimants, the amount reimbursed is estimated to fully offset their projected costs to implement the mandate in a cost-efficient manner. (b) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (c) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

**GC §17519: "School District"**

"School district" means any school district, community college district, or county superintendent of schools.

**GC §17520: "Special District"**

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or

area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

**GC §17521: "Test Claim"**

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state.

**GC §17522: Definitions**

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

**GC §17523: "Deflator"**

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

**GC §17524: "Base Year Entitlement"**

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

**GC §17525: Members: Term and Per Diem for Specified Members**

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the

discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

**GC §17526: Open Meetings: Executive Sessions**

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

**GC §17527: Powers of Commission**

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

**GC §17528: Election of Officers**

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

**GC §17529: Appointment of Attorney: Duties**

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

**GC §17530: Appointment of Executive Director: Duties**

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

**GC §17531: Authority of Executive Director to Employ Necessary Staff**

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

**GC §17532: Quorum: Investigations, Inquiries, and Hearing**

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

**GC §17533: Provisions not Applicable to Hearing by Commission**

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

**GC §17550: Reimbursements of Local Agencies and Special Districts**

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

**GC §17551: Commission Hearing and Decision Upon Claims**

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

**GC §17552: Exclusivity of Procedure by Chapter**

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

**GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings**

(a) The commission shall adopt procedures for receiving claims pursuant to this article and for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department



or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other nonlocal agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Board of Control or the Commission on State Mandates that may be related to the alleged mandate. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Board of Control and the Commission on State Mandates and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included. (c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

**GC §17554: Commission's Authority to Expedite Claim**

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

**GC §17555: Date for Public Hearing: Test Claim Form and Procedure**

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

**GC §17556: Criteria for not Finding Costs Mandated by the State**

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this paragraph. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposed duties that were expressly included in a ballot measure approved by the voters in a statewide or local election. (g) The statute created a new crime or infraction, eliminated a crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

**GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines**

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c)

The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before January 15 following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

**GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions**

(a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the adoption or amendment of parameters and guidelines pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose. (b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the commission. (c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

**GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment**

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled

Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

#### **GC §17558.6: Legislative Intent**

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

#### **GC §17559: Judicial Review**

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

#### **GC §17560: Deadlines for Filing Reimbursement Claims**

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b). (b) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between October 15 and January 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

#### **GC §17561: Reimbursement of Costs for State Mandated Programs**

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 that includes the amounts awarded relating to these chaptered bills or executive orders. (c) The amount appropriated to reimburse local agencies and

school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.

#### **GC §17561.5: Payment of Claim with Interest**

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

#### **GC §17561.6: Payment**

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

**GC §17562: Review of Costs of State-Mandated Local Programs**

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by January 1 of each year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate to the statewide cost estimate adopted by the commission. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall identify mandates that significantly exceed the statewide cost estimate adopted by the commission. The Legislative Analyst shall make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections 17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

**GC §17563: Use of Funds Received for Public Purpose**

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

**GC §17564: Filing of Claims: Threshold Amount**

(a) No claim shall be made pursuant to Sections 17551 and 17561, nor shall any payment be made on claims submitted pursuant to Sections 17551 and 17561, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines and claiming instructions.

**GC §17565: Reimbursement of Subsequently Mandated Costs**

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

**GC §17567: Insufficiency of Appropriation: Proration of Claims**

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, the Controller shall transmit this information to the commission which shall include these amounts in its report to the Legislature pursuant to Section 17600 to assure that an appropriation sufficient to pay the claims is included in the local government claims bills or other appropriation bills. If the local government claims bills required by Section 17612 have been introduced in the Legislature, the Controller shall report directly to the chairperson of the respective committee in each house of the Legislature which considers appropriations to assure inclusion of a sufficient appropriation in the claims bills.

**GC §17568: Payment of Claims Submitted After Deadline**

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). In no case shall a reimbursement claim be paid which is submitted more than one year after the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

**GC §17570: Annual Report to Legislature**

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

**GC §17571: Review and Modification of Claiming Instructions**

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

**GC §17572: Amended Animal Adoption Parameters and Guidelines**

(a) The commission shall amend the parameters and guidelines for the state-mandated local program contained in Chapter 752 of the Statutes of 1998, known as the Animal Adoption mandate (Case No. 98-TC-11), as specified below: (1) Amend the formula for determining the reimbursable portion of acquiring or building additional shelter space that is larger than needed to comply with the increased holding period to specify that costs incurred to address preexisting shelter overcrowding or animal population growth are not reimbursable. (2) Clarify how the costs for care and maintenance shall be calculated. (3) Detail the documentation necessary to support reimbursement claims under this mandate, in consultation with the Bureau of State Audits and the Controller's office. (b) The parameters and guidelines, as amended pursuant to this section, shall apply to claims for costs incurred in fiscal years commencing with the 2005-06 fiscal year in which Chapter 752 of the Statutes of 1998 is not suspended pursuant to Section 17581. (c) Before funds are appropriated to reimburse local agencies for claims related to costs incurred in fiscal years commencing with the 2005-06 fiscal year pursuant to Sections 1834 and 1846 of the Civil Code, and Sections 31108, 31752, 31752.5, 31753, 32001, and 32003 of the Food and Agricultural Code, known as the Animal Adoption mandate, local agencies shall file reimbursement claims pursuant to the parameters and guidelines amended pursuant to this section, and the Controller's revised claiming instructions.

**GC §17575: Review of Bills**

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

**GC §17576: Amendment of Bills on Floor: Notification by Legislative Counsel**

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.



**GC §17577: Amount of Estimates**

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

**GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel**

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

**GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations**

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

**GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order**

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

**GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate**

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being

one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

### **GC §17600: Report on Number of Mandates and Their Costs**

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

### **GC §17601: Report on Claims Denied**

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

### **GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions**

(a) Immediately upon receipt of the report submitted by the commission pursuant to Section 17600, a local government claims bill shall be introduced in the Legislature. The local government claims bill, at the time of its introduction, shall provide for an appropriation sufficient to pay the estimated costs of these mandates. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, it shall make a declaration in the local government claims bill specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

### **GC §17613: Authorization of Augmentation for Mandated Costs**

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made

sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

### **GC §17615: Legislative Findings and Intent**

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming, cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

#### **GC §17615.1: Review of Programs for Inclusion in System**

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

#### **GC §17615.2: Calculation of Disbursement Amounts**

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

#### **GC §17615.3: Annual Recalculation of Allocation**

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to

establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvene that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

#### **GC §17615.4: Procedure for Newly Mandated Program**

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

#### **GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established**

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

#### **GC §17615.6: Procedure Where Program is No Longer Mandatory**

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

**GC §17615.7: Procedure Where Program is Modified**

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

**GC §17615.8: Review of Base Year Entitlement**

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

**GC §17615.9: Review of Programs Under SMAS**

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

**GC §17616: Audits and Verification by Controller**

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

**GC §17617: Local Agency Payment**

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

# FILING A CLAIM

**RECEIVED**

December 16, 2013

**Commission on  
State Mandates**

## 1. Introduction

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

These claiming instructions are issued to help claimants prepare paper and electronic mandated cost claims for submission to SCO. These instructions are based upon the SCO's interpretation of the State of California statutes, regulations, and parameters and guidelines (P's & G's) adopted by CSM. Since each mandate is administered separately, it is important to refer to the specific program for information relating to established policies on eligible reimbursable costs.

Mandated cost claims can be filed on paper or filed electronically using the Local Government e-Claims (LGeC) system. The LGeC system provides an easy and straightforward approach to the claiming process. Email distributions lists are also new this year and are available to provide timely, comprehensive information regarding Mandated Cost claim receipts, payments, test claims, guidelines, electronic claims, and other news and updates. Additional information regarding electronic filling and email distribution lists is located in the following section of this manual.

A reimbursement claim is defined in GC Section 17522 as any claim filed with the State Controller's Office (SCO) by a SD and CSOS for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim.

Pursuant to AB 8, Chapter 6, Statutes of 2008, the option to file estimated claims has been eliminated. Therefore, estimated claims filed on or after February 16, 2008, will not be accepted by SCO.

Pursuant to GC 17560, the deadline for filing ongoing mandated cost claims has been extended to February 15th of the year following the fiscal year the costs were incurred. The deadline for filing initial reimbursement claims has not changed and remains at 120 days from the date the SCO issues claiming instructions for each program.

Initial reimbursement claims filed after the deadline, but within one year of the deadline, will be reduced by a late penalty of 10% with no limitation. Initial claims filed more than one year after the deadline cannot be accepted for reimbursement.

Annual reimbursement claims for the 2007-08 fiscal year, must be filed by February 15th of the year following the fiscal year the costs were incurred, to avoid a late penalty. If the filing deadline falls on a weekend or holiday, the deadline is extended to the next business day. Since February 15, 2009, falls on a weekend, and the following Monday is a holiday, annual reimbursement claims will be accepted without a penalty if postmarked or delivered on or before Tuesday, February 17, 2009. Annual reimbursement claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000.

Amended annual claims filed after the filing deadline will be reduced by 10% of the increased amount not to exceed \$10,000 for the entire claim, while amended initial reimbursement claims filed after the deadline will be reduced by 10% without limitation.

**Claims filed more than one year after the deadline cannot be accepted for reimbursement.**

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Additional information regarding filing deadlines and late penalties is located in Section 5, Filing Deadline for Claims in this manual.

Charter Schools are not eligible to file mandated cost claims under these programs because they are not a school district under GC Section 17519. Accordingly, charter schools cannot be reimbursed by filing a claims or through a third party's claim such as a school district or a superintendent of schools for their costs. The CSM adopted the Charter School III statement of decision on May 25, 2006. The CSM stated that "a ...charter school is voluntarily participating in the charter program at issue" and that a charter school is not a school district under GC 17519 and therefore is not eligible to claim reimbursement under GC Section 17560.

School districts and county superintendents of schools may use the indirect cost rates approved by the California Department of Education based on J-380/580/780/SACS Expenditure Data whichever is applicable to the fiscal year of the claim. Since this information is readily available online, there is no need for SDs or CSOSs to file supporting documentation for indirect costs with mandated cost claims. Additional information regarding indirect cost rates is located in Section 9: Indirect Costs, of this manual.

Supporting documentation for actual costs is no longer required to be submitted with the claim. Instead, those records must be kept on hand and made available to the SCO upon request. Additional information is located in Section 17: Retention of Claim Records and Supporting Documentation of this manual.

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

Pursuant to GC Section 17561 (d), the Controller will pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later.

## **2. Local Government Electronic Claims (LGeC)**

LGeC enables claimants and their consultants to securely prepare and submit mandated cost claims via the Internet. LGeC uses a series of data input screens to collect the information needed to prepare a claim and also provides a web service so claims can be uploaded in batch files. LGeC also incorporates an attachment feature so claimants can electronically attach supporting documentation to file with their claims. The LGeC system provides an easy and straightforward approach to the claiming process.

Filing claims using LGeC eliminates the manual preparation and submission of paper claims by the locals and the receiving, processing, key entry, verification, and storage of paper claims by SCO. LGeC also provides mathematical checks and automated error detection to reduce erroneous and incomplete claims, provides the state with an electronic workflow process, and stores the claims in an electronic format. Making the change from paper claims to electronic claims reduces the manual handling of paper claims and decreases the costs incurred by local entities for handling, postage, and storage of claims filed using the LGeC system

In order to use the LGeC system you must obtain a user ID and password for each person who will need access to the LGeC system. To obtain a User ID and password you must file an application with SCO. The application and instructions are available on the LGeC website located at <http://www.sco/ard/local/lgec/index.shtml>. Once you complete the application and mail it to SCO, it will be processed and a User ID and password will be issued to each person to establish their role on the LGeC system.

In addition, you may want to subscribe to an email distribution list to automatically receive timely, comprehensive information regarding mandated cost claim receipts, payments, test

claims, guidelines, electronic claims, and other news and updates. You also will receive related audit reports and mandate information disseminated by other state agencies.

You can find more information about LGeC and the email distribution lists at <http://www.sco.ard/local/lgec/index.shtml>. This website provides access to the LGeC system, an application for user id's and passwords, an instructional guide, FAQ's and additional help files. Questions about the information on this website should be directed by email to LRSDAR@sco.ca.gov, or to Angie Lowi Teng at the Division of Accounting and Reporting, Local Reimbursements Section, Local Government e-Claims, (916) 323-0706.

### **3. Types of Claims**

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. These claims are made up of initial reimbursement claims and actual (ongoing) reimbursement claims. Each has separate filing deadlines and late filing penalties as discussed later in this manual.

#### **A. Initial reimbursement claims**

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal year(s) of a program that was previously unfunded. The first statute that appropriates funds for the new program will specify the fiscal years for which costs are eligible for reimbursement.

#### **B. reimbursement claims**

A claimant may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year in each successive year the program is active.

#### **C. Estimated Claims**

Assembly Bill 8, Chapter 6, Statutes of 2008, eliminated the option to file estimated claims. Therefore, estimated claims filed on or after February 16, 2008, will no longer be accepted by SCO.

#### **D. Entitlement Claims**

An entitlement claim is defined in GC Section 17522 as any claim filed by a SD and/or a CSOS with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated cost program that has been included in SMAS. These claims should not contain nonrecurring or initial start-up costs. For programs included in SMAS, The SMAS program is discussed in detail in Section 7: State Mandates Apportionment System (SMAS).

### **4. Minimum Claim Amount**

GC Section 17564(a) provides that no claim may be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000), provided that a CSOS may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000.

The county superintendent of schools will determine if the submission of the combined claim is economically feasible and be responsible for disbursing the funds to each school district. These combined claims may be filed only when the county superintendent of schools is the fiscal agent for the districts.

A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate must be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to SCO at least 180 days prior to the deadline for filing the claim.



**5. Filing Deadline for Claims**

GC Section 17561(d) specifies the filing deadlines and late fee penalties for each type of mandated cost claim.

Initial reimbursement claims (first time claims) for reimbursement of costs of a previously unfunded mandated cost program must be filed within 120 days from the date SCO issues the program's claiming instructions.

Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date shall be considered as one claim for the purpose of computing any late claim penalty. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid

Ongoing annual reimbursement claims must be filed by February 15th following the fiscal year in which costs were incurred for the program. If the filing deadline falls on a weekend or holiday, the filing deadline will be the next business day. Since February 15th falls on a weekend in 2009, and the following Monday is a holiday, claims will be accepted without penalty if postmarked or delivered on or before February 17, 2009. Reimbursement claims filed after the deadline, but within one year of the deadline, will be reduced by a late penalty of 10%, not to exceed \$10,000.

Amended reimbursement claims filed after the deadline, but within one year of the deadline, will be reduced by 10% of the increased amount, not to exceed \$10,000 for the total claim.

Entitlement claims do not have a filing deadline. However, entitlement claims should be filed by February 15 to permit orderly processing of the claims.

Pursuant to GC 17561, In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates. Therefore, these claims will not be accepted for reimbursement.

**6. Payment of Claims**

GC Section 17561 states that reimbursement claims are to be paid as follows:

The Controller shall pay any eligible claim by August 15 or 45 days after the date of the appropriation for the claim is effective, whichever is later.

However, the SCO shall withhold 20 percent of the amount of timely filed initial reimbursement claims until the claim is audited to verify the actual amount of the mandated costs.

The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid.

In order for SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer. When using the LGeC system the logon id and password of the authorized officer is used for the signature and is applied by the LGeC system when the claim is submitted.

A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate. SCO may withhold up to 20 percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs.

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

Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. Unless specified in the statutes, regulations, or P's & G's, the determination of allowable and unallowable costs are based on the P's & G's adopted by the CSM for funded and unfunded mandates, except for mandates funded by special legislation. The SCO determines allowable reimbursable costs, subject to amendment by CSM, for mandates funded by special legislation.

In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

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

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

## **7. State Mandates Apportionment System (SMAS)**

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the CSM. An "entitlement claim" means any claim filed by a SD and CSOS with SCO for the sole purpose of establishing a base year entitlement. A base year entitlement shall not include any nonrecurring or initial start-up costs.

In the event a SD and/or CSOS has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the SD and/or CSOS may file an entitlement claim for each of those missed years to establish a base year entitlement

When a mandated program has been included in SMAS, SCO will determine a base year entitlement amount for each SD and CSOS that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's costs for the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the CSM's approval.

Each SD and/or CSOS with an established base year entitlement for the program will receive automatic annual payments from SCO reflective of the program's current year costs. The amount of apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and ADA. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

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

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are paid by November 30th of each successive year.

### 8. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions. Costs typically classified as direct costs are:

#### (1) Employee Wages, Salaries, and Fringe Benefits

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

##### (a) Productive Hourly Rate Options

A SD and CSOS may use one of the following methods to compute productive hourly rates:

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

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.\*

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

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

##### (b) Compute a Productive Hourly Rate

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

**Table 1: Productive Hourly Rate, Annual Salary + Benefits Method**

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

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

2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

**Table 2: Productive Hourly Rate, Percent of Salary Method**

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

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

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

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

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level position, performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at a higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(c) Calculating an Average Productive Hourly Rate**

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

**Table 3: Calculating an Average Productive Hourly Rate**

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

**(d) Employer's Fringe Benefits Contribution**

An SD and CSOS has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

For example:

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

**(e) Materials and Supplies**

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases shall be claimed at the actual price after deducting discounts, rebates and allowances received by the SD and CSOS. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(f) Calculating a Unit Cost for Materials and Supplies**

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

**Table 1: Calculating A Unit Cost for Materials and Supplies**

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

**Table 2: Calculating a Unit Cost for Materials and Supplies**

<b>Supplies</b>	<u>Supplies Used</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u>\$9.50</u>

If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (\$9.50/25).

**(g) Contract Services**

The cost of contract services is allowable if the SD and CSOS lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the

mandated activity. The claimant must keep documentation on hand to support the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(h) Equipment Rental Costs**

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the P's & G's for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must maintain documentation to support the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs can be claimed. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(i) Capital Outlay**

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the P's & G's specify them as allowable. If they are allowable, the P's & G's for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities can be claimed. Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(j) Travel Expenses**

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the P's & G's may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the name and address of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, and the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over \$10.00. This Documentation to support these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of these instructions.

**(k) Documentation**

It is the responsibility of the claimant to maintain, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate. The documentation supporting these costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 17 of this manual.

## 9. Indirect Costs

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

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

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

## 10. Time Study Guidelines

### Background

A reasonable reimbursement methodology, which meets certain conditions specified in Government Code section 17518.5, subdivision (a), can be used as a "formula for reimbursing local agency and school district costs mandated by the state."

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

### Actual Time Reporting

Each program's parameters and guidelines define reimbursable activities for the mandated cost program. (Some parameters and guidelines refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which clarify documentation requirements discussed in the Reimbursable Activities section of recent parameters and guidelines):

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

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

### Time Study

In certain cases, a time study may be used as a substitute for continuous records of actual time spent on multiple activities and/or programs. A time study can be used for an activity when the task



is repetitive in nature. Activities that require varying levels of effort are not appropriate for time studies.

### **Time Study Plan**

Claimants must develop a time study plan before a time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

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

For example, sub-activities (a), (b), and (c) under reimbursable activity (B)(1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management Program, relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. It is not necessary to separately study these sub-activities.

- Process used to accomplish each reimbursable activity - use flowcharts or similar analytical tools and/or written desk procedures to describe the process followed to complete each activity.
- Employee universe - the employee universe used in the time study must include all positions whose salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology - the plan must show that employees selected are representative of the employee universe and that the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.
- Time increments to be recorded - the time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) can be used for employees performing only a few functions that change very slowly over time. Small increments (a number of minutes) can be used for employees performing more short-term tasks.

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

### **Time Study Documentation**

Time studies must:

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

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

**Time Study Results**

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant also may apply time study results retroactively to initial claims, current-year claims, and late-filed claims.

When projecting time study results, the claimant must certify that no significant changes have occurred between years in either (1) the requirements of each mandated program activity; or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows that the mandated activity was actually performed. Time study results used to support claims are subject to the record-keeping requirements for those claims.

**11. Offset Against State Mandated Claims**

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

**Example 1:**

As illustrated in Table 5, this example shows how the "Offset Against State Mandated Claims" is determined for a SD and CSOS receiving block grant revenues not based on a formula allocation. Program costs for each situation equal \$100,000.

**Table 5: Offset Against State Mandates, Example 1**

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

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

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

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

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

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

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

### Example 2:

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

**Table 6: Offset Against State Mandates, Example 2**

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

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

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

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

### Federal and State Funding Sources

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

### Governing Authority

The costs of salaries and expenses of the governing authority, such as the school superintendent and governing board, are not reimbursable. These are costs of general government as described in the Office of Management and Budget Circular (OMB) 2 CFR Part 225.

## 12. Notice of Claim Adjustment

Pursuant to GC Section 17558.5, subdivision (b), the SCO may review any claim to determine if the costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with SCO's claiming instructions and the P's & G's adopted by CSM. If any

adjustments are made to a claim, a "Notice of Claim Adjustment" specifying the claim component adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

### **13. Audit of Costs**

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by SD and CSOS pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed no later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to SCO upon request.

### **14. Source Documents**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee records, or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

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

### **15. Claim Forms and Instructions**

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

#### **A. Form-2, Activity Cost Detail**

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

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

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

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

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

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

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

If delivered by  
U.S. Postal Service:

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

If delivered by  
Other delivery services:

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

**16. Retention of Claiming Instructions**

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

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

**17. Retention of Claim Records and Supporting Documentation**

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a SD and CSOS pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to SCO on request.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2008-23

ANNUAL REVISIONS - SCHOOL DISTRICTS

OCTOBER 31, 2008

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

Reimbursement claims detailing the costs actually incurred in the 2007-08 fiscal year must be filed with SCO and be delivered or postmarked on or before **February 17, 2009**. If the reimbursement claim is filed after the deadline, but by **February 16, 2010**, the approved claim will be reduced by a late penalty of 10% without limit for initially filed claims and for continuing programs, the late fee is 10% not to exceed \$10,000. **Claims will not be accepted if filed more than one year after the deadline.**

Pursuant to GC Section 17561(d), the Controller will pay any eligible claim by August 15 or 45 days after the date the appropriation for the claim is effective, whichever is later.

Amounts appropriated for payment of program costs are shown beginning on page five under "Appropriations for the 2008-09 Fiscal Year." The fiscal years for which costs can be claimed for a program are shown beginning on page five under "Reimbursable State Mandated Cost Programs." To prepare for the 2007-08 reimbursement claims, forms in the manual should be duplicated to meet the district's filing requirements. Claim amounts should be rounded to the nearest dollar.

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

If delivered by  
U.S. Postal Service:

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

If delivered by  
Other delivery services:

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

**MINIMUM CLAIM COST**

GC Section 17564(a) provides that no claim will be filed pursuant to Sections 17551 and 17561, unless such claim exceeds one thousand dollars (\$1,000), provided that a county superintendent of schools may submit a combined claim on behalf of school districts within their county if the combined claim exceeds \$1,000, even if the individual school district's claim does not each exceed \$1,000. The county superintendent of schools must determine if the submission of the combined claim is economically feasible and be responsible for disbursing the funds to each

school district. Combined claims may be filed only when the county superintendent of schools is the fiscal agent for the school districts. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate must only be filed in the combined form unless a school district provides a written notice of its intent to file a separate claim to the county superintendent of schools and to SCO at least 180 days prior to the deadline for filing the claim.

## **ESTIMATED CLAIMS**

Pursuant to AB 8, Chapter 6, Statutes of 2008, the option to file estimated claims has been eliminated. Therefore, estimated claims filed on or after February 16, 2008, will not be accepted by SCO.

## **PROGRAM UPDATES FOR 2007-08 FISCAL YEAR**

### **Updates of Rates and Factors**

The following rates are to be used for filing 2007-08 reimbursement claims. These rates are computed by adjusting the 2006-07 rates by changes in the Implicit Price Deflator (IPD) as determined by the State Department of Finance's Report of April 30, 2008, *National Deflators, State and Local Purchases*. The change in the IPD for 2007-08 is 5.5%.

- *Ch. 448/75, Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools/Pupil Suspensions: Parent Classroom Visits (Program No. 272).*

The 2007-08 unit rate is \$0.0822 per page of printed notification material distributed to parents and guardians, and \$0.3268 per notice.

- *Ch. 961/75, Collective Bargaining (Program No. 11)*

The 2007-08 GNP Deflator factor for adjusting the 1974-75 Winton Act cost is \$4.315.

- *Ch. 498/83, Graduation Requirements (Program No. 26)*

The 2007-08 maximum reimbursement hourly rate for contract services is \$147.77. Staffing cost reimbursement is limited to salary and other remuneration differentials, if any, of a science teacher, and the cost of lab assistants or special training aids required by a science class.

The addition of science classes should have resulted in offsetting savings due to a corresponding reduction of non-science classes.

- *Ch. 1177/76, Immunization Records (Program No. 32)*

The 2007-08 unit rate is \$6.84 per new entrant (K-12). A new entrant does not include a student previously enrolled in a school within the State of California.

Payment of the cost of immunization records for 1992-93 and subsequent fiscal years are made pursuant to the State Mandates Apportionment System (SMAS) to those school districts with an established base year entitlement. An entitlement amount is determined by SCO by averaging the district's actual costs (from reimbursement claims filed) for 1989-90, 1990-91, and 1991-92, or any three consecutive fiscal years thereafter, adjusted by changes in the IPD. The amount of apportionment the district receives for 1992-93 and subsequent fiscal years is the base year entitlement amount adjusted by annual changes in IPD and workload. "Workload" means change in the district's average daily attendance (ADA) from the previous fiscal year.

Once the district has filed actual costs for 1989-90 through 1991-92, or any three consecutive fiscal years thereafter, no further filing of claims is necessary. The claimant will automatically receive an annual payment by November 30 of each fiscal year. A district without an established entitlement amount must continue to file reimbursement claims until three consecutive fiscal years of costs are available to compute a base year cost.

- *Ch. 325/78, Immunization Records: Hepatitis B (Program No. 230)*

The 2007-08 unit rate is \$8.22 per new entrant (K-12) and \$4.30 per student in the seventh grade. A new entrant does not include a student previously enrolled in a school within the State of California.

- *Ch. 1423/84, Juvenile Court Notices II (Program No. 155)*

The 2007-08 unit rates for the number of notices received from the juvenile court system and distributed to school district personnel is \$48.29 per notice received, and the number of written requests received from parents or guardian to review the record to ensure the record has been destroyed is \$34.33 per letter received.

- *Ch. 498/83, Notification of Truancy (Program No. 48)*

The 2007-08 unit cost reimbursement is \$17.28 per initial truancy notification. The unit cost covers all costs (direct and indirect), including, but not limited to, identifying the truant pupil, preparing and distributing by mail or other methods of notification to parents or guardians, and associated record keeping.

- *Ch. 1347/80, Scoliosis Screening (Program No. 58)*

The 2007-08 unit cost rate is \$8.20 per student screened. This rate covers all costs (direct and indirect), incurred including activities for, but not limited to, parent notification, screening, re-screening, referral and follow-up, record keeping, and administration of the program.

- *Ch. 818/91, Aids Prevention Instruction II (Program No. 250)*

The 2007-08 uniform cost allowance is \$0.0827 per notice. This uniform allowance covers all of the direct and indirect costs incurred in compliance with this mandate.

- *Ch. 1208/76, Pupil Health Screenings (Program 261)*

The 2007-08 uniform cost allowance for: (a) Notification to Parents is \$0.0805; (b) Obtaining Parental Compliance is \$5.55; (c) Exclusion of Pupils is \$14.61; (d) Statistical Reporting is not applicable since the reimbursement period expired 12/31/04.

- *Ch. 1253/56, Pupil Suspensions, Expulsions, and Expulsion Appeals (Program 176)*

The 2007-08 unit cost rates are as follows: Preparation for expulsion hearing - \$173.86; conducting the expulsion hearing - \$217.22; for the hearing officer's or panel's expulsion recommendation to the Governing Board - \$256.91; and for the record of hearing \$2.21.

- *Ch. 465/76, Peace Officers Procedural Bill of Rights (Program 186)*

The 2007-08 unit cost rate for the Flat Rate Method is \$39.31.



## APPROPRIATIONS FOR THE 2008-09 FISCAL YEAR

### Item 6110-295-0001

272	(1)	Ch. 36/77	Annual Parent Notification	\$1,000
172	(2)	Ch. 98/94	Caregiver Affidavits	1,000
153	(3)	Ch. 161/93	Intradistrict Attendance	1,000
42	(4)	Ch. 486/75	Mandate Reimbursement Process	1,000 <sup>1</sup>
26	(5)	Ch. 498/83	Graduation Requirements	1,000
48	(6)	Ch. 498/83	Notification of Truancy	1,000
176	(7)	Ch. 498/83	Pupil Suspensions, Expulsions/Expulsion Appeals	1,000
277	(8)	Ch. 781/92	Charter Schools III	1,000
N/A	(9)	Ch. 799/80	PERS Death Benefits	1,000 <sup>2</sup>
250	(10)	Ch. 818/91	AIDS Prevention Instruction I and II	1,000
11	(11)	Ch. 961/75	Collective Bargaining	1,000
261	(12)	Ch. 1208/76	Pupil Health Screenings	1,000
173	(13)	Ch. 975/95	Physical Performance Tests	1,000
155	(14)	Ch. 1011/84	Juvenile Court Notices II	1,000
57	(15)	Ch. 1107/84	Removal of Chemicals	1,000
157	(16)	Ch. 1117/89	Law Enforcement Agency Notifications	1,000
32	(17)	Ch. 1176/77	Immunization Records	1,000
166	(18)	Ch. 1184/75	Habitual Truants	1,000
176	(19)	Ch. 1253/75	Pupil Expulsion Transcripts	1,000
150	(20)	Ch. 1306/89	Notification to Teachers of Public Expulsion	1,000
58	(21)	Ch. 1347/80	Scoliosis Screening	1,000
N/A	(22)	Ch. 1398/74	PERS Unused Sick Leave Credit	1,000 <sup>2</sup>
182	(23)	Ch. 309/95	Pupil Residency Verification and Appeals	1,000
251	(24)	Ch. 588/97	Criminal Background Checks II	1,000
184	(25)	Ch. 624/92	School Bus Safety I and II	0 <sup>3</sup>
186	(26)	Ch. 465/76	Peace Officers Procedural Bill of Rights	1,000
192	(27)	Ch. 36/77	Financial and Compliance Audits	1,000
195	(28)	Ch. 640/97	Physical Education Reports	1,000
198	(29)	Ch. 1120/96	Health Benefits for Survivors of Peace Officers & Firefighters	0 <sup>3</sup>
209	(30)	Ch. 917/87	County Office of Education Fiscal Accountability Reporting	1,000
258	(31)	Ch. 100/81	School District Fiscal Accountability Reporting	1,000
194	(32)	Ch. 126/93	Law Enforcement Sexual Harassment Training	0 <sup>3</sup>
206	(33)	Ch. 784/95	County Treasury Withdrawals	0 <sup>3</sup>
223	(34)	Ch. 736/97	Comprehensive School Safety Plans	1,000
230	(35)	Ch. 325/78	Immunization Records-Hepatitis B	1,000
228	(36)	Ch. 1192/80	School District Reorganization	1,000
249	(37)	Ch. 34/98	Charter Schools II	1,000
251	(38)	Ch. 594/98	Criminal Background Checks II	1,000
226	(39)	Ch. 1170/96	Grand Jury Proceedings	1,000
244	(40)	Ch. 100/81	Pupil Promotion and Retention	1,000
252	(41)	Ch. 331/98	Teacher Incentive Program	1,000
253	(42)	Ch. 30/98	Differential Pay and Reemployment	1,000
<b>Total Appropriations, Item 6110-295-0001</b>				<b><u>\$38,000</u></b>

<sup>1</sup> This program has been set aside by the Commission on State Mandates and is presently in litigation.

<sup>2</sup> Numbers (9) and (22) are for transfer to the Public Employees' Retirement Fund for reimbursement of costs incurred pursuant to 799/80 or 1398/74.

<sup>3</sup> These programs have been suspended for the 2007-08 and 2008-09 fiscal years.

## REIMBURSABLE STATE MANDATED COST PROGRAMS

An "x" indicates the fiscal year for which a claim may be filed with SCO.

2007-08 Reimbursement Claims	Pgm. #	School Districts and County Offices of Education		
x	170	Ch.	77/78	Absentee Ballots
x <sup>4</sup>	269	Ch.	893/00	Agency Fee Arrangements
x	250	Ch.	818/91	AIDS Prevention Instruction II
x	172	Ch.	98/94	Caregiver Affidavits
x	278	Ch.	781/92	Charter Schools I, II, & III
x	209	Ch.	917/87	COE Fiscal Accountability Reporting
x	11	Ch.	961/75	Collective Bargaining
x	223	Ch.	736/97	Comprehensive School Safety Plans
x	272	Ch.	448/75	Consolidation of Annual Parent Notification/Schoolsite Discipline Rules/Alternative Schools
x <sup>4</sup>	276	Ch.	1117/89	Consolidation of Law Enforcement Agency Notifications (LEAN) and Missing Children Reports (MCR)
x	251	Ch.	594/98	Criminal Background Checks II
x	253	Ch.	30/98	Differential Pay and Re-employment
x	192	Ch.	36/77	Financial and Compliance Audits
x	26	Ch.	498/83	Graduation Requirements
x	166	Ch.	1184/75	Habitual Truant
x	198	Ch.	1120/96	Health Benefits for Survivors of Peace Officers & Firefighters
x <sup>4</sup>	268	Ch.	1/99	High School Exit Exam
x	32	Ch.	1176/77	Immunization Records
x	230	Ch.	325/78	Immunization Records: Hepatitis B
x	153	Ch.	161/93	Intradistrict Attendance
x	155	Ch.	1011/84	Juvenile Court Notices II
x	265	Ch.	828/97	National Norm-Referenced Achievement Test
x	48	Ch.	498/83	Notification of Truancy
x <sup>5</sup>	150	Ch.	1306/89	Notification to Teachers: Pupils Subject to Suspension or Expulsion
x	186	Ch.	465/76	Peace Officers Procedural Bill of Rights
x	214	Ch.	875/85	Photographic Record of Evidence
x	195	Ch.	640/97	Physical Education Reports
x	173	Ch.	975/95	Physical Performance Tests
x	261	Ch.	965/77	Pupil Health Screenings
x	244	Ch.	100/81	Pupil Promotion and Retention
x	182	Ch.	309/95	Pupil Residency Verification and Appeals
x	176	Ch.	1253/75	Pupil Suspensions, Expulsions, and Expulsion Appeals

<sup>4</sup> These are new programs and no funding has been appropriated yet.

<sup>5</sup> Program ends 07-08. For 08-09 and following use program 292, Consolidation of NTT I & II and PDR.

**REIMBURSABLE STATE MANDATED COST PROGRAMS (Cont'd.)**

<b>2007-08 Reimbursement Claims</b>	<b>Pgm #</b>	<b>School Districts and County Offices of Education</b>
x	57	Ch. 1107/84 Removal of Chemicals
x	258	Ch. 100/81 School District Fiscal Accountability Reporting
x	228	Ch. 1192/80 School District Reorganization
x	58	Ch. 1347/80 Scoliosis Screening
x	252	Ch. 331/98 Teacher Incentive Program
x	260	Ch. 498/83 The Stull Act
x	162	Ch. 1249/92 Threats Against Peace Officers
<b>Initial Claims</b>		
x	280	Ch. 498/83 Pupil Safety Notices
x	286	Ch. 603/94 California State Teachers' Retirement System (CalSTRS) Service Credit
x	291	Ch. 345/00 Pupil Discipline Records, and Notification to Teachers: Pupils Subject to Suspension or Expulsion II

## **PROGRAMS SUSPENDED FOR THE 2007-08 AND 2008-09 FISCAL YEARS**

Pursuant to GC §17581.5, the following education state mandated programs are identified in the 2007 and 2008 State Budget Act, with a \$0 appropriation by the Legislature. Therefore, no claims for these programs may be filed for the 2007-08 and 2008-09 fiscal years.

### **Pgm. #**

206	Ch. 784/95	County Treasury Oversight Committee
198	Ch. 1120/96	Health Benefits for Survivors of Peace Officers & Firefighters
226	Ch. 1170/96	Grand Jury Proceedings
194	Ch. 126/93	Law Enforcement Sexual Harassment Training
184	Ch. 624/92	School Bus Safety I & II

**The following education state mandated programs have been determined to be optional, repealed, or overturned by the court:**

### **Pgm. #**

148	Ch. 172/86	Interdistrict Attendance Permits
149	Ch. 172/86	Interdistrict Transfer Requests: Parent's Employment
165	Ch. 668/78	Pupil Exclusions ( <b>AB 2855 and SB 512 eff. 1/1/05 and 10/7/05 resp.</b> )
156	Ch. 160/93	School District of Choice: Transfers and Appeals
199	Ch. 1138/93	Schoolsite Councils and Brown Act Reform
146	Ch. 87/86	Schoolsite Discipline Rules

**The Commission on State Mandates has set aside the following programs:**

### **Pgm. #**

179	Ch. 778/96	American Government Course Documentation Requirements
42 <sup>6</sup>	Ch. 486/75	Mandated Reimbursement Process
218 <sup>6</sup>	Ch. 641/86	Open Meetings/Brown Act Reform ( <b>AB 138 effective 07/19/05</b> )
109 <sup>7</sup>	Ch. 1607/84	School Crimes Statistic Reporting and Validation
151 <sup>7</sup>	Ch. 965/77	Pupil Classroom Suspensions: Counseling
154 <sup>7</sup>	Ch. 965/77	Pupil Suspension: Parent Classroom Visits
171 <sup>6</sup>	Ch. 1463/89	School Accountability Report Cards ( <b>AB 2855 and SB 512 eff. 1/1/05</b> )
190 <sup>7</sup>	Ch. 759/92	School Crime Reporting II

<sup>6</sup> These programs have been set aside by the Commission on State Mandates pursuant to AB 138, Ch. 72/05, effective 07/19/05. They are presently in litigation.

<sup>7</sup> These programs have been set aside by the Commission on State Mandates pursuant to AB 2855, Ch. 895/04, effective 01/01/05 and AB 38, Ch. 72/05, effective 07/19/05.

## **AUDIT OF COSTS**

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

On-site audits will be conducted by SCO as deemed necessary. Pursuant to GC §17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district is subject to audit by the State Controller no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to SCO on request.

## **SOURCE DOCUMENTS**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs incurred to implement the mandated activities. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

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

## **RETENTION OF CLAIMING INSTRUCTIONS**

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

If you have any questions concerning mandated cost reimbursements, please write to us at Office of the State Controller, Local Reimbursements Section, Division of Accounting and Reporting, P. O. Box 942850, Sacramento, CA 94250; send e-mail to [LRS DAR@sco.ca.gov](mailto:LRS DAR@sco.ca.gov); or call the Local Reimbursements Section at (916) 324-5729.

OFFICE OF THE STATE CONTROLLER  
STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2008-03  
NOTIFICATION OF TRUANCY

APRIL 4, 2008

Revised January 30, 2009

In accordance with Government Code (GC) Section 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of state mandated cost programs. The following are claiming instructions and forms that eligible claimants will use for filing claims for the Notification of Truancy (NOT) program. These claiming instructions are issued subsequent to adoption of the program's amended Parameters and Guidelines (P's & G's) by the Commission on State Mandates (CSM).

On January 31, 2008, CSM adopted the attached amended P's and G's for NOT, which is effective July 1, 2006. For your reference, the amended P's & G's are included as an integral part of the claiming instructions.

### **Limitations and Exceptions**

There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to Government Code section 17581.5.

If an actual claim was filed for fiscal year 2006-07, you may file an amended claim for all costs including the increased costs based on the new definition of truancy. If no claim was previously filed you may file for fiscal year 2006-07 by **August 4, 2008**, without being assessed a late claim penalty.

### **Eligible Claimants**

Except for community colleges, any school district or county office of education as defined in GC section 17519, that incurs increased costs as a result of this mandate, is eligible to claim reimbursement.

### **Filing Deadlines**

#### **A. Reimbursement Claims**

A reimbursement claim is defined in GC Section 17522 as any claim filed with SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim.

An actual claim may be filed by February 15 following the fiscal year in which costs were incurred. If the filing date falls on a weekend or holiday, the filing deadline will be the next business day. Since the 15<sup>th</sup> falls on a weekend in 2009, claims for fiscal year 2007-08 will be accepted without penalty if postmarked or delivered on or before February 17, 2009. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. Claims filed more than one year after the deadline will not be accepted.

Documentation to support actual costs must be kept on hand by the claimant and made available to SCO upon request as explained in Section 16 of the instructions.

## **B. Estimated Claims**

Pursuant to AB 8, Chapter 6, Statutes of 2008, the option to file estimated claims has been eliminated. Therefore, estimated claims filed on or after February 16, 2008, will not be accepted by SCO.

### **Minimum Claim Cost**

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

### **Reimbursement of Claims**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations.

Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure Section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

## **Audit of Costs**

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

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

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

## **Retention of Claiming Instructions**

The claiming instructions and forms in this package should be retained permanently in your Mandated Cost Manual for future reference and use in filing claims. These forms should be duplicated to meet your filing requirements. You will be notified of updated forms or changes to claiming instructions as necessary.

Questions, or requests for hard copies of these instructions, should be faxed to Angie Lowi-Teng at (916) 323-6527 or e-mailed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov). Or, if you wish, you may call the Local Reimbursements Section at (916) 324-5729. For your reference, these and future mandated costs claiming instructions and forms can be found on the Internet at [www.sco.ca.gov/ard/local/locreim/index.shtml](http://www.sco.ca.gov/ard/local/locreim/index.shtml).

## **Address for Filing Claims**

Claims should be rounded to the nearest dollar. Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents.

**To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**



Use the following mailing addresses:

If delivered by

U.S. Postal Service:

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

If delivered by

other delivery services:

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

Adopted: 8/27/87  
Amended: 7/28/88  
Amended: 7/22/93  
Amended: 1/31/08

## **AMENDMENTS TO PARAMETERS AND GUIDELINES AS DIRECTED BY THE LEGISLATURE**

*Statutes 2007, Chapter 69 (AB 1698)*

Education Code Section 48260.5

Statutes 1983, Chapter 498

[Statutes 1994, Chapter 1023]

[Statutes 1995, Chapter 19]

*Notification of Truancy*

07-PGA-01 (4133)

### **I. BACKGROUND AND SUMMARY OF MANDATE**

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

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

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

#### **Board of Control Decision**

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

## Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

### II. ELIGIBLE CLAIMANTS

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

### III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

### IV. REIMBURSABLE COSTS

#### A. Scope of Mandate

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

#### B. Reimbursable Activities

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

##### 1. Planning and Preparation -- One-time

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

##### 2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

- a. That the pupil is truant.
- b. That the parent or guardian is obligated to compel the attendance of the pupil at school.
- c. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.

- d. That alternative educational programs are available in the district.
- e. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
- f. That the pupil may be subject to prosecution under Section 48264.
- g. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
- h. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

C. Uniform Cost Allowance

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

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

D. Unique Costs

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

V. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VI. 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**.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

IX. REQUIRED CERTIFICATION

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

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>NOTIFICATION OF TRUANCY</b>		<b>For State Controller Use Only</b> (19) Program Number 00048 (20) Date Filed (21) LRS Input	<b>PROGRAM</b> <span style="font-size: 2em; font-weight: bold;">048</span>
(01) Claimant Identification Number		<b>Reimbursement Claim Data</b>	
(02) Claimant Name		(22) FORM-1, (03)	
Address		(23)	
		(24)	
		(25)	
<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(26)
	(03)	(09) Reimbursement <input type="checkbox"/>	(27)
	(04)	(10) Combined <input type="checkbox"/>	(28)
	(05)	(11) Amended <input type="checkbox"/>	(29)
<b>Fiscal Year of Cost</b>	(06)	(12)	(30)
<b>Total Claimed Amount</b>	(07)	(13)	(31)
Less: <b>10% Late Penalty (Refer to claim instructions)</b>		(14)	(32)
Less: <b>Prior Claim Payment Received</b>		(15)	(33)
<b>Net Claimed Amount</b>		(16)	(34)
<b>Due from State</b>	(08)	(17)	(35)
<b>Due to State</b>		(18)	(36)
<b>(37) CERTIFICATION OF CLAIM</b>			
<p>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.</p> <p>I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.</p> <p>The amounts for Reimbursement Claim are hereby claimed from the State for payment of 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.</p>			
Signature of Authorized Officer		Date	
_____		_____	
Type or Print Name		Title	
(38) Name of Contact Person for Claim		Telephone Number	
_____		_____	
E-mail Address		_____	
_____		_____	

<b>Program</b> <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>Certification Claim Form</b> <b>Instructions</b>	<b>FORM</b> <b>FAM-27</b>
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) Leave blank.
- (04) Leave blank.
- (05) Leave blank.
- (06) Leave blank.
- (07) Leave blank.
- (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from Form-1, line (08). The total claimed amount must exceed \$1,000.
- (14) Actual claims for fiscal year 06-07 must be filed by **August 4, 2008**, and for fy 07-08 must be filed by **February 17, 2009**, otherwise the claims will be reduced by a late penalty.
- (15) If filing a reimbursement claim or a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form-1, (03), means the information is located on Form-1, block (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the district's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person to contact if additional information is required.

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

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

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

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

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



<b>Program 048</b>	<b>MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY</b>	<b>FORM 1</b>
(01) Claimant	(02)	Fiscal Year __ / __
<b>Claim Statistics</b>		
(03) Number of truant notifications		
(04) Unit Cost	[\$17.28 for fiscal year 2007-08]	
(05) Total Costs	[Line (03) x line (04)]	
<b>Cost Reduction</b>		
(06) Less: Offsetting Savings		
(07) Less: Other Reimbursements		
(08) Total Claimed Amount	[Line (05) - {line (06) + line (07)}]	

<b>Program 048</b>	<b>NOTIFICATION OF TRUANCY CLAIM SUMMARY Instructions</b>	<b>FORM 1</b>
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- (01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A Form-1 should be completed for each department.
- (02) Enter the fiscal year of costs.
- (03) Enter the number of truant notifications that were sent during the fiscal year of claim, upon the students' initial classification of truancy.
- (04) The unit cost rate for fiscal year 07-08 is \$17.28 per initial notification. This unit cost rate will be updated annually in the Annual Revisions for Schools issued in September.
- (05) Multiply line (03), the number of truant notifications by line (04), the unit cost rate.
- (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 including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (08) Total Claimed Amount. From Total Costs, line (05), subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.

## A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

### Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

#### Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

#### Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
  - Trip begins at or before 6 a.m. - Breakfast may be claimed
  - Trip begins at or before 11 a.m. - Lunch may be claimed
  - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
  - Trip ends at or after 8 a.m. - Breakfast may be claimed
  - Trip ends at or after 2 p.m. - Lunch may be claimed
  - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed  
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

### **Short-Term Travel Maximum Lodging Reimbursement Rate**

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

### **Long-Term Travel**

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

#### **A. Full Long-Term Travel**

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

**B. Partial Long-Term Travel**

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

**Receipts**

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
  1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
  2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
  3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
  4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

**Mileage**

When an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, effective January 1, 2009, the employee will be allowed to claim and be reimbursed 55 cents per mile.

## B. GOVERNMENT CODE SECTIONS 17500-17617

### GC §17500: Legislative Findings and Declarations

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

### GC §17510: Construction of Part

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

### GC §17511: "City"

"City" means any city whether general law or charter, except a city and county.

### GC §17512: "Commission"

"Commission" means the Commission on State Mandates.

### GC §17513: "Cost Mandated by the Federal Government"

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

### GC §17514: "Costs Mandated by the State"

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

**GC §17515: "County"**

"County" means any chartered or general law county. "County" includes a city and county.

**GC §17516: "Executive Order"**

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

**GC §17517.5: "Cost Savings authorized by the state"**

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

**GC §17518: "Local Agency"**

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

**GC §17518.5: "Reasonable Reimbursement Methodology"**

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agencies and school districts for costs mandated by the state, as defined in Section 17514. (b) A reasonable reimbursement methodology shall be based on cost information from a representative sample of eligible claimants, information provided by associations of local agencies and school districts, or other projections of local costs. (c) A reasonable reimbursement methodology shall consider the variation in costs among local agencies and school districts to implement the mandate in a cost-efficient manner. (d) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (e) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

**GC §17519: "School District"**

"School district" means any school district, community college district, or county superintendent of schools.

**GC §17520: "Special District"**

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

**GC §17521: "Test Claim"**

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state, and includes a claim filed pursuant to Section 17574.

**GC §17521.5: "Legislatively Determined Mandate"**

"Legislatively determined mandate" means the provisions of a statute or executive order that the Legislature, pursuant to Article 1.5, has declared by statute to be a mandate for which reimbursement is required by Section 6 of Article XIII B of the California Constitution.

**GC §17522: Definitions**

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

**GC §17523: "Deflator"**

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

**GC §17524: "Base Year Entitlement"**

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.



**GC §17525: Members: Term and Per Diem for Specified Members**

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

**GC §17526: Commission Meetings**

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

**GC §17527: Powers of Commission**

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

**GC §17528: Election of Officers**

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

**GC §17529: Appointment of Attorney: Duties**

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

**GC §17530: Appointment of Executive Director: Duties**

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

**GC §17531: Authority of Executive Director to Employ Necessary Staff**

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

**GC §17532: Quorum: Investigations, Inquiries, and Hearing**

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

**GC §17533: Provisions not Applicable to Hearing by Commission**

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

**GC §17550: Reimbursements of Local Agencies and Special Districts**

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

**GC §17551: Commission Hearing and Decision Upon Claims**

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Except as provided in Sections 17573 and 17574, commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

**GC §17552: Exclusivity of Procedure by Chapter**

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

**GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings**

(a) The commission shall adopt procedures for receiving claims filed pursuant to this article and Section 17574 for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders and the effective date and register number of regulations alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other non-local agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Commission on State Mandates or a predecessor agency that may be related to the alleged mandate. (H) Identification of a legislatively determined mandate pursuant to Section 17573 that is on the same statute or executive order. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (D) If applicable, declarations describing the period of reimbursement and payments received for full reimbursement of costs for a legislatively determined mandate pursuant to Section 17573, and the authority to file a test claim pursuant to paragraph (1) of Section 17574. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Commission on State Mandates or a predecessor agency and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included.

(c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

### **GC §17554: Commission's Authority to Expedite Claim**

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

### **GC §17555: Date for Public Hearing: Test Claim Form and Procedure**

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, and determining the amount to be subvended to local agencies and school districts for reimbursement pursuant to subdivision (a) of Section 17557, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

### **GC §17556: Criteria for not Finding Costs Mandated by the State**

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds any one of the following: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this subdivision. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposes duties that are necessary to implement, reasonably within the scope of, or expressly included in, a ballot measure approved by the votes in a statewide or local election. This subdivision applies regardless of whether the statute or executive order was enacted or adopted before or after the date on which the ballot measure was approved by the voters. (g) The statute created a new crime or infraction, eliminated a

crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

**GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines**

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c) The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before the claiming deadline following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

**GC §17557.1: Statement of Decision on Test Claim**

(a) Notwithstanding any other provision of this part within 30 days of the commission's adoption of a statement of decision on a test claim, the test claimant and the Department of Finance may notify the executive director of the commission in writing of their intent to follow the process described in this section to develop a reasonable reimbursement methodology and statewide estimate of costs for the initial claiming period and budget year for reimbursement of costs mandated by the state in accordance with the statement of decision. The letter of intent shall include the date on which the test claimant and the Department of Finance will submit a plan to ensure that costs from a representative sample of eligible local agency or school district claimants are considered in the development of a reasonable reimbursement methodology. (b) This plan shall also include all of the following information: (1) The date on which the test claimant and Department of Finance will provide to the executive director an informational update regarding their progress in developing the reasonable reimbursement methodology. (2) The date on which the test claimant and Department of Finance will submit to the executive director the draft reasonable reimbursement methodology and proposed statewide estimate of costs for the initial claiming period and budget year. This date shall be no later than 180 days after the date the letter of intent is sent by the test claimant and Department of Finance to the executive

director. (c) At the request of the test claimant and Department of Finance, the executive director may provide for up to four extensions of this 180-day period. (d) The test claimant or Department of Finance may notify the executive director at any time that the claimant or Department of Finance no longer intends to develop a reasonable reimbursement methodology pursuant to this section. In this case, paragraph (2) of subdivision (a) of Section 17553 and Section 17557 shall apply to the test claim. Upon receipt of this notification, the executive director shall notify the test claimant of the duty to submit proposed parameters and guidelines within 30 days under subdivision (a) of Section 17557.

### **GC §17557.2: Broad Support Required; Joint Proposal Prior to Commission Hearing**

(a) A reasonable reimbursement methodology developed pursuant to Section 17557.1 or a joint request for early termination of a reasonable reimbursement methodology shall have broad support from a wide range of local agencies or school districts. The test claimant and Department of Finance may demonstrate broad support from a wide range of local agencies or school districts in different ways including, but not limited to, obtaining endorsement by one or more statewide associations of local agencies or school districts and securing letters of approval from local agencies or school districts. (b) No later than 60 days before a commission hearing, the test claimant and Department of Finance shall submit to the commission joint proposal that shall include all of the following: (1) The draft reasonable reimbursement methodology. (2) The proposed statewide estimate of costs for the initial claiming period and budget year. (3) A description of the steps the test claimant and the Department of Finance undertook to determine the level of support by local agencies or school districts for the draft reasonable reimbursement methodology. (4) An agreement that the reasonable reimbursement methodology developed and approved under this section shall be in effect for a period of five years unless a different term is approved by the commission, or upon submission to the commission of a letter indicating the Department of Finance and test claimant's joint interest in early termination of the reasonable reimbursement methodology. (5) An agreement that, at the conclusion of the period established in paragraph (4), the Department of Finance and the test claimant will consider jointly whether amendments to the methodology are necessary. (c) The commission shall approve the draft reasonable reimbursement methodology if review of the information submitted pursuant to Section 17557.1 and subdivision (b) of this section demonstrates that the draft reasonable reimbursement methodology and statewide estimate of costs for the initial claiming period and budget year have been developed in accordance with Section 17557.1 and meet the requirements of subdivision (a). The commission thereafter shall adopt the proposed statewide estimate of costs for the initial claiming period and budget year. Statewide cost estimates adopted under this section shall be included in the report to the Legislature required under Section 17600 and shall be reported by the commission to the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, and the Department of Finance not later than 30 days after adoption. (d) Unless amendments are proposed pursuant to this subdivision, the reasonable reimbursement methodology approved by the commission pursuant to this section shall expire after either five years, any other term approved by the commission, or upon submission to the commission of a letter indicating the Department of Finance's and test claimant's joint interest in early termination of the reasonable reimbursement methodology. (e) The commission shall approved a joint request for early termination of a reasonable reimbursement methodology if the request meets the requirements of subdivision (a). If the commission approves a joint request for early termination, the commission shall notify the test claimant of the duty to submit proposed parameters and guidelines to the commission pursuant to subdivision (a) of Section 17557. (f) At least one year before the expiration of a reasonable reimbursement methodology, the commission shall notify the Department of Finance and the test claimant that they may do one of the following: (1) Jointly propose amendments to the reasonable reimbursement methodology by submitting the information described in paragraphs (1), (3), and (4) of subdivision (b), and providing an estimate of the mandate's annual cost for the subsequent budget year. (2) Jointly propose that the reasonable reimbursement methodology remain in effect. (3) Allow the reasonable reimbursement methodology to expire and notify the commission that the test claimant will submit proposed parameters and guidelines to the commission pursuant to subdivision (a) of Section 17557 to replace the reasonable reimbursement methodology. (g) The commission shall either approve the continuation of the reasonable reimbursement methodology or approve the jointly proposed amendments to the reasonable reimbursement methodology if the

information submitted in accordance with paragraph (1) of subdivision (d) demonstrates that the proposed amendments were developed in accordance with Section 17557.1 and meet the requirements of subdivision (a) of this section.

**GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions**

(a) The commission shall submit the adopted parameters and guidelines or a reasonable reimbursement methodology approved pursuant to Section 17557.2 to the Controller. As used in this chapter, a “reasonable reimbursement methodology” approved pursuant to Section 17557.2 includes all amendments to the reasonable reimbursement methodology. When the Legislature declares a legislatively determined mandate in accordance with Section 17573 in which claiming instructions are necessary, the Department of Finance shall notify the Controller. (b) Not later than 60 days after receiving the adopted parameters and guidelines, a reasonable reimbursement methodology from the commission, or notification from the Department of Finance, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the adopted parameters and guidelines, reasonable reimbursement methodology, or statute declaring a legislatively determined mandate. (c) The Controller shall, within 60 days after receiving adopted parameters and guidelines, an amended reasonable reimbursement methodology from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557, Section 17557.2 or after any decision or order of the commission pursuant to Section 17557.2, or after any action by the Legislature pursuant to Section 17573. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

**GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment**

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

**GC §17558.6: Legislative Intent**

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

**GC §17559: Judicial Review**

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

**GC §17560: Deadlines for Filing Reimbursement Claims**

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may, by February 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (b) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between November 15 and February 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

**GC §17561: Reimbursement of Costs for State Mandated Programs**

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514 and for legislatively determined mandates in accordance with Section 17573. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill that is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill. (c) The amount appropriated to reimburse local agencies and school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section by August 15 or 45 days after the date of the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission, the



reasonable reimbursement methodology approved by the commission pursuant to Section 17557.2, or statutory declaration of a legislative determined and reimbursement methodology pursuant to Section 17573. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 or 17573 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, the application of a reasonable reimbursement methodology, or application of a legislatively enacted reimbursement methodology under Section 17573, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit (i) the records of any local agency or school district to verify the actual amount of the mandated costs, (ii) the application of a reasonable reimbursement methodology, or (iii) application of a legislatively enacted reimbursement methodology under Section 17573.(B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates . (e) (1) Except as specified in paragraph (2), for the purposes of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the Constitution, a mandate that is "determined in a preceding fiscal year to be payable by the state" means any mandate for which the commission adopted a statewide cost estimate pursuant to this part during a previous fiscal year or that were identified as mandates by a predecessor agency to the commission, or that the Legislature declared by statute to be a legislatively determined mandate, unless the mandate has been repealed or otherwise eliminated. (2) If the commission adopts a statewide cost estimate for a mandate during the months of April, May, or June, the state's payment obligation under subdivision (b) of Section 6 of Article XIII B shall commence one year after the time specified in paragraph (1).

#### **GC §17561.5: Payment of Claim with Interest**

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

**GC §17561.6: Payment**

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

**GC §17562: Review of Costs of State-Mandated Local Programs**

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by October 31 of each fiscal year beginning with the 2007-08 fiscal year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate. In the preceding fiscal year to the amount determined to be payable by the state for that fiscal year. (2) The Controller shall submit a report to the Joint Legislative Budget Committee, the applicable fiscal committees, and the Director of Finance by April 30 of each fiscal year. This report shall summarize, by state mandate, the total amount of unpaid claims by fiscal year that were submitted before April 1 of that fiscal year. The report shall also summarize any mandate deficiencies or surpluses. It shall be made available in an electronic spreadsheet, and shall be used for the purpose of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the California Constitution. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall report total annual state costs for mandated programs and, as appropriate, provide an analysis of specific mandates and make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections

17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

**GC §17563: Use of Funds Received for Public Purpose**

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

**GC §17564: Filing of Claims: Threshold Amount**

(a) No claim shall be made pursuant to Sections 17551, 17561, or 17573, nor shall any payment be made on claims submitted pursuant to Sections 17551 or 17561, or pursuant to a legislative determination under Section 17573, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines or reasonable reimbursement methodology and claiming instructions. (c) Claims for direct and indirect costs filed pursuant to a legislatively determined mandate pursuant to Section 17573 shall be filed and paid in the manner prescribed in the Budget Act or other bill, or claiming instructions, if applicable.

**GC §17565: Reimbursement of Subsequently Mandated Costs**

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

**GC §17567: Insufficiency of Appropriation: Proration of Claims**

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act.

**GC §17568: Payment of Claims Submitted After Deadline**

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed ten thousand dollars (\$10,000). In no case shall a reimbursement claim be paid which is submitted more than one year after

the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

**GC §17570: Annual Report to Legislature**

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

**GC §17571: Review and Modification of Claiming Instructions**

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

**GC §17575: Review of Bills**

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

**GC §17576: Determination of Bills by the Legislative Counsel**

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

**GC §17577: Amount of Estimates**

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

**GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel**

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

**GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations**

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

**GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order**

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Within 30 days after enactment of the Budget Act, the Department of Finance shall notify local agencies of any statute or executive order, or portion thereof, for which operation of the mandate is suspended because reimbursement is not provided for that fiscal year pursuant to this section and Section 6 of Article XIII B of the California Constitution. (c) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

**GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate**

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

**GC §17600: Report on Number of Mandates and Their Costs**

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

**GC §17601: Report on Claims Denied**

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

**GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions**

(a) Upon receipt of the report submitted by the commission pursuant to Section 17600, funding shall be provided in the subsequent Budget Act for costs incurred in prior years. No funding shall be provided for years in which a mandate is suspended. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, reasonable reimbursement methodology, and adopted statewide estimate of costs for the initial claiming period and budget year for mandates contained in the annual Budget Act. If the Legislature amends, modifies, or supplements the parameters and guidelines, reasonable reimbursement methodology, and adopted statewide estimate of costs for the initial claiming period and budget year, it shall make a declaration in a separate legislation specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

**GC §17613: Authorization of Augmentation for Mandated Costs**

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

**GC §17615: Legislative Findings and Intent**

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming,

cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

### **GC §17615.1: Review of Programs for Inclusion in System**

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

### **GC §17615.2: Calculation of Disbursement Amounts**

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

### **GC §17615.3: Annual Recalculation of Allocation**

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvене that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of

education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

#### **GC §17615.4: Procedure for Newly Mandated Program**

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

#### **GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established**

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

#### **GC §17615.6: Procedure Where Program is No Longer Mandatory**

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

#### **GC §17615.7: Procedure Where Program is Modified**

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.



**GC §17615.8: Review of Base Year Entitlement**

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

**GC §17615.9: Review of Programs Under SMAS**

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

**GC §17616: Audits and Verification by Controller**

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

**GC §17617: Local Agency Payment**

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

# FILING A CLAIM

**RECEIVED**  
December 16, 2013  
**Commission on  
State Mandates**

## 1. Introduction

Government Code (GC) Sections 17500 through 17617 provide for the reimbursement of costs incurred by school districts (SD) for mandated cost programs as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

A reimbursement claim is defined in Government Code (GC) Section 17522 as any claim filed with the State Controller's Office (SCO) by a SD for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. Actual claims for the 2008-09 fiscal year, will be accepted without penalty if postmarked or delivered on or before **February 16, 2010**. Ongoing reimbursement claims filed after the deadline will be reduced by a late penalty of **10%, not to exceed \$10,000**. Amended claims filed after the filing deadline will be reduced by **10% of the increased amount not to exceed \$10,000** for the total claim. Initial reimbursement claims filed after the filing deadline will be reduced by a late penalty of **10% with no limitation**. Claims filed more than one year after the deadline will not be accepted by the SCO.

A charter school is not eligible to file mandated cost claims under these programs because it is not defined as a school district pursuant to GC Section 17519. Accordingly, charter schools cannot be reimbursed for their costs by filing a claim or through a third party's claim such as a school district or superintendent of schools. The Commission on State Mandates (Commission) adopted the Charter School III Statement of Decision on May 25, 2006, which stated that a charter school is voluntarily participating in the charter program at issue and that a charter school is not a school district under GC Section 17519 and therefore is not eligible to claim reimbursement under GC Section 17560

SD's may use the indirect cost rates from the Restricted Indirect Cost Rates for K-12 Local Educational Agencies (LEA's) Five Year Listing issued by the California Department of Education (CDE), School Fiscal Services Division, for the fiscal year of the claim. Since this information is readily available online, there is no need for SD's to file supporting documentation for indirect costs with their claims. Additional information regarding indirect cost rates can be found in Section 2, Filing a Claim, page 9, *Indirect Costs*.

When a program has been reimbursed for three or more years, the Commission may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the implicit price deflator (IPD) and under certain circumstances, by any changes in workload. Claimants with an established entitlement no longer need to file claims for that program.

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

The claiming instructions included in this manual are issued to help claimants prepare manual and/or electronic mandated cost claims, for submission to the SCO. These instructions are based on the State of California's statutes, regulations, and the parameters and guidelines (P's & G's) adopted by the Commission. Since each mandate is unique, it is important to refer to the P's and G's for each program for information relating to established policies and eligible reimbursable costs.

## 2. **Electronic Filing: Local Government e-Claims (LGeC)**

LGeC enables claimants and their consultants to securely prepare and submit mandated cost claims via the Internet. LGeC uses a series of data input screens to collect the information needed to prepare a claim and provides a Web service so claims can be uploaded in batch files. The system also incorporates an attachment feature so claimants can electronically attach supporting documentation if required.

In addition, it provides an easy and straightforward approach to the claiming process. Filing claims using LGeC eliminates the manual preparation and submission of paper claims by SD's and the receiving, processing, key entry, verification, and storage of the paper claims by the SCO. LGeC also provides mathematical checks and automated error detection to reduce erroneous and incomplete claims, provides the State with an electronic workflow process, and stores the claims in an electronic format. Making the change from paper claims to electronic claims reduces the manual handling of paper claims and decreases the costs incurred for postage, handling, and storage of claims filed.

In order to use the LGeC system you will need to obtain a user ID and password for each person who will access the LGeC system. To obtain a User ID and password you must file an application with the SCO. The application and instructions are available on the LGeC Web site located at [http://www.sco.ca.gov/ard\\_lgec.html](http://www.sco.ca.gov/ard_lgec.html). Complete the application and other documents as requested and mail them to the SCO using the address provided in the instructions. The SCO will process the application within three business days and issue a User ID and password to each applicant.

In addition, you may want to subscribe to an email distribution list to automatically receive timely, comprehensive information regarding mandated cost claims, payments, guidelines, electronic claims, and other news and updates. You also will receive related audit reports and mandate information disseminated by other state agencies.

You can find more information about LGeC and the email distribution lists at [http://www.sco.ca.gov/ard\\_lgec.html](http://www.sco.ca.gov/ard_lgec.html). This Web site provides access to the LGeC system, an application for User ID's and passwords, an instructional guide, frequently asked questions (FAQ's) and additional help files. Questions may be directed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov), or you may call the Local Reimbursements Section at (916) 324-5729.

## 3. **Types of Claims**

Claimants may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program, would receive an automatic annual payment which is reflective of the current costs for the program. All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

### **A. Reimbursement Claim**

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a School District for reimbursement of costs incurred for which an appropriation is made for paying the claim.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal year(s) of a program that was previously unfunded. Claims are due one hundred and twenty days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement. Annual ongoing reimbursement claims must be filed by February 15<sup>th</sup> following the fiscal year in which costs were incurred for the program.

## **B. Estimated Claims**

Pursuant to AB 8, Chapter 6, Statutes of 2008, the option to file estimated claims has been eliminated. Therefore, estimated claims will not be accepted for reimbursement.

## **C. Entitlement Claim**

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

The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the IPD of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by the Commission for inclusion in SMAS, the payment for each year succeeding the three year base period is adjusted according to any changes by both the IPD and average daily attendance (ADA).

The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS. Annual apportionments for programs included in the SMAS system are paid on or before November 30th of each year.

## **4. Minimum Claim Amount**

For initial and annual claims, if the total costs for a given year do not exceed \$1,000 no reimbursement will be allowed except as otherwise allowed by GC Section 17564.

## **5. Filing Deadline for Claims**

Pursuant to GC Section 17561(d) initial reimbursement claims (first time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within one hundred and twenty days from the date the SCO issues the claiming instructions for the program. When paying a timely filed claim for initial reimbursement, the Controller may withhold twenty percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. Initial reimbursement claims filed after the filing deadline will be reduced by ten percent of the amount that would have been allowed had the claim been timely filed.

The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a program will be considered as one claim for the purpose of computing any late claim penalty. In no case will a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates.

Pursuant to GC Section 17560, annual reimbursement claims (recurring claims) for costs incurred during the previous fiscal year must be filed with the SCO and postmarked on or before February 15th following the fiscal year in which costs were incurred. If the annual reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount not to exceed \$10,000 for the total claim. Claims may not be filed more than one year after the deadline.

## **6. Payment of Claims**

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer. When using the LGeC system, the logon ID and password of the authorized officer is used for the signature and is applied by the LGeC system when the claim is submitted. Pursuant to GC 17561(d), reimbursement claims are paid by October 15 or sixty days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration. A reasonable reimbursement methodology (RRM), which meets certain conditions specified in Government Code Section 17518.5, Subdivision (a), can be used as a formula for reimbursing SD's costs mandated by the State.

A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than one year after the adoption of the program's statewide cost estimate.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each House of the Legislature, in order to ensure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the Commission who will include these amounts in its reports to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. Any balances remaining on these claims will be paid when supplementary funds become available.

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

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

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

## **7. State Mandates Apportionment System (SMAS)**

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

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each SD that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for any three consecutive fiscal years. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's

costs for the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the Commission's approval.

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

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

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

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

## **8. Direct Costs**

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand unless otherwise specified in the claiming instructions and made available to the SCO on request

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

Costs typically classified as direct costs are:

### **(1) Employee Wages, Salaries, and Benefits**

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

#### **(a) Productive Hourly Rate Options**

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

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

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

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

- Paid holidays;
- Vacation earned;

- o Sick leave taken;
- o Informal time off;
- o Jury duty;
- o Military leave taken.

**(b) Compute a Productive Hourly Rate**

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

**Table 1: Productive Hourly Rate, Annual Salary + Benefits Method**

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

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

**Table 2: Productive Hourly Rate, Percent of Salary Method**

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

- As illustrated in Table 2, both methods produce the same productive hourly rate.
- Reimbursement for personnel services includes, but is not limited to, compensation paid

for salaries, wages, and employee benefits. Employee benefits include employer's contributions for social security, pension plans, insurance, workers compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

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

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

**(c) Calculating an Average Productive Hourly Rate**

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

**Table 3: Calculating an Average Productive Hourly Rate**

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

**(d) Employer's Benefits Contribution**

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



For example:

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

**(2) Materials and Supplies**

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

**(a) Calculating a Unit Cost for Materials and Supplies**

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

**Table 1: Calculating a Unit Cost for Materials and Supplies**

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

**Table 2: Calculating a Unit Cost for Materials and Supplies**

<b>Supplies</b>	<u>Supplies Used</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u>\$9.50</u>

If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance ( $\$9.50 \div 25$ ).

### **(3) Contract Services**

The cost of contract services is allowable if the SD lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must keep documentation on hand to support the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed.

### **(4) Equipment Rental Costs**

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

### **(5) Capital Outlay**

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

### **(6) Travel Expenses**

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the P's & G's may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the Department of Personnel Administration (DPA) travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the names and addresses of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, and the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over \$10.00.

## **9. Indirect Costs**

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

School District's may use the indirect cost rate from the Restricted Indirect Cost rates for K-12 Local Education Agencies (LEA's) Five Year Listing issued by the California Department of Education (CDE), School Fiscal Services Division, for the fiscal year of costs. The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs.

## 10. Time Study Guidelines

### Background

Two methods are acceptable for documenting employee time charged to mandated cost programs: 1) Actual Time Reporting and 2) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

### Actual Time Reporting

Each program's P's and G's define reimbursable activities for the mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards:

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

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

### Time Study

In certain cases, a time study may be used as a substitute for continuous records of actual time spent on multiple activities and/or programs. A time study can be used for an activity when the task is repetitive in nature. Activities that require varying levels of effort are not appropriate for time studies.

### Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- Time periods to be studied - The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs;
- Activities to be studied - The time study must separately identify each reimbursable activity defined in the mandated program's P's and G's. If a reimbursable activity identifies separate and distinct sub-activities, these sub-activities also must be treated as individual activities;

For example, sub-activities (a) and (b) under reimbursable activity (1) of the Agency Fee Arrangements Program relate to salary deduction and payment of fair share and are not separate and distinct activities. It is not necessary to separately study these sub-activities.

- Process used to accomplish each reimbursable activity - Use flowcharts or similar analytical tools and/or written desk procedures to describe the process followed to complete each activity;
- Employee universe - The employee universe used in the time study must include all positions for which salaries and wages are to be allocated by means of the time study;
- Employee sample selection methodology - The plan must show that employees selected are representative of the employee universe and that the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations;
- Time increments to be recorded - The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large

increments (such as one hour or more) can be used for employees performing only a few functions that change very slowly over time. Small increments (a number of minutes) can be used for employees performing more short-term tasks.

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

### **Time Study Documentation**

Time studies must:

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

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

### **Time Study Results**

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variation from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant also may apply time study results retroactively to initial claims, current-year claims, and late-filed claims.

When projecting time study results, the claimant must certify that no significant changes have occurred between years in either (1) the requirements of each mandated program activity; or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows that the mandated activity was actually performed. Time study results used to support claims are subject to the record-keeping requirements for those claims.

## **11. Offset Against State Mandated Claims**

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

### **Example 1:**

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

**Table 5: Offset Against State Mandates, Example 1**

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

\* SD's share is \$50,000 of the program cost.

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

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

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

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

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

**Example 2:**

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

**Table 6: Offset Against State Mandates, Example 2**

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

\*\* SD's share is \$25,000 of the program cost.

In (2), the entire program cost was approved. Since the local assistance revenue source covers

75% of the program cost, it also proportionately covered 75% of the \$2,500 state mandated costs, or \$1,875.

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

### **Federal and State Funding Sources**

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

## **12. Notice of Claim Adjustment**

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a *Notice of Claim Adjustment* detailing any adjustments made by the SCO.

## **13. Audit of Costs**

Pursuant to GC Section 17558.5, Subdivision (b), the SCO may conduct a field review of any claim after it has been submitted to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the Commission. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

## **14. Source Documents**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee records, or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct" and must further comply with the requirements of Code of Civil Procedure Section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

## **15. Claim Forms and Instructions**

Unless you are filing electronically, a claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated or printed from SCO's Web site and used by the claimant to file reimbursement claims. The SCO will revise the manual and claim forms as necessary.

**A. Form-2, Activity Cost Detail**

This form is used to segregate the direct costs by claim activity. In some mandates, specific reimbursable activities have been identified for each activity. The expenses reported on this form must be supported by the official financial records of the claimant. All documents used to support the reimbursable activities must be retained by the claimant unless required to be submitted with the claim and must be made available to the SCO on request.

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

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

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

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

Claims should be rounded to the nearest dollar. Submit a signed original and one copy of form FAM-27, Claim for Payment. **To expedite the payment process, please sign the FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

If delivered by  
Other delivery services:

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

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

**16. Retention of Claiming Instructions**

The revised claiming instructions in this package have been arranged in alphabetical order by program name. This Manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO's Web site located at [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html).

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

**17. Retention of Claim Records and Supporting Documentation**

Pursuant to Government Code Section 17558.5, (a), a reimbursement claim for actual costs filed by SD's is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit will commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit is commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.



OFFICE OF THE STATE CONTROLLER  
STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2008-03  
NOTIFICATION OF TRUANCY

APRIL 4, 2008

Revised September 5, 2009

In accordance with Government Code (GC) Section 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of state mandated cost programs. The following are claiming instructions and forms that eligible claimants will use for filing claims for the Notification of Truancy (NOT) program. These claiming instructions are issued subsequent to adoption of the program's amended Parameters and Guidelines (P's & G's) by the Commission on State Mandates (Commission).

On January 31, 2008, the Commission adopted the attached amended P's and G's for NOT, which is effective July 1, 2006, and are included as an integral part of the claiming instructions.

**Limitations and Exceptions**

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to Government Code Section 17581.5.

**Eligible Claimants**

Except for community colleges, any school district or county office of education as defined in GC Section 17519 that incurs increased costs as a result of this mandate is eligible to claim reimbursement.

**Filing Deadlines**

**A. Reimbursement Claims**

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim.

An actual claim may be filed by February 15 following the fiscal year in which costs were incurred. Claims for fiscal year 2008-09 will be accepted without penalty if postmarked or delivered on or before **February 16, 2010. Claims filed more than one year after the deadline will not be accepted.**

**B. Late Penalty**

**1. Initial Claims**

Late initial claims are assessed a late penalty of 10% of the total amount of the initial claims without limitation.

## **2. Annual Reimbursement Claims**

Late annual reimbursement claims are assessed a late penalty of 10% of the claim amount; \$10,000 maximum penalty.

### **Minimum Claim Cost**

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

### **Reimbursement of Claims**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure Section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

### **Audit of Costs**

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

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, Subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

### **Retention of Claiming Instructions**

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. When no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Questions, or requests for hard copies of these instructions, should be faxed to LRSDAR at (916) 323-6527 or e-mailed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov) or you may call the Local Reimbursements Section at (916) 324-5729. Future mandated costs claiming instructions and forms can be found on the Internet at [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html).

### **Address for Filing Claims**

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

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

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

If delivered by  
other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

Adopted: 8/27/87  
Amended: 7/28/88  
Amended: 7/22/93  
Amended: 1/31/08

## **AMENDMENTS TO PARAMETERS AND GUIDELINES AS DIRECTED BY THE LEGISLATURE**

*Statutes 2007, Chapter 69 (AB 1698)*

Education Code Section 48260.5

Statutes 1983, Chapter 498

[Statutes 1994, Chapter 1023]

[Statutes 1995, Chapter 19]

*Notification of Truancy*

07-PGA-01 (4133)

### **I. BACKGROUND AND SUMMARY OF MANDATE**

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

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

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

#### **Board of Control Decision**

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

Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

II. ELIGIBLE CLAIMANTS

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

III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

IV. REIMBURSABLE COSTS

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

- a. That the pupil is truant.
- b. That the parent or guardian is obligated to compel the attendance of the pupil at school.
- c. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.

- d. That alternative educational programs are available in the district.
- e. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
- f. That the pupil may be subject to prosecution under Section 48264.
- g. That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
- h. That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

C. Uniform Cost Allowance

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

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

D. Unique Costs

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

V. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VI. 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**.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

IX. REQUIRED CERTIFICATION

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



<b>CLAIM FOR PAYMENT</b> <b>Pursuant to Government Code Section 17561</b> <b>NOTIFICATION OF TRUANCY</b>	<b>For State Controller Use Only</b>	<b>PROGRAM</b>  <span style="font-size: 2em; font-weight: bold;">048</span>
	(19) Program Number 00048 (20) Date Filed (21) LRS Input	

(01) Claimant Identification Number	<b>Reimbursement Claim Data</b>		
(02) Claimant Name	(22) FORM-1, (03)		
County of Location	(23) FORM-1, (04)		
Street Address or P.O. Box <span style="float: right;">Suite</span>	(24) FORM-1, (06)		
City <span style="float: right;">State</span> <span style="float: right;">Zip Code</span>	(25) FORM-1, (07)		
	<b>Type of Claim</b>	(26)	
	(03) (09) Reimbursement <input type="checkbox"/>	(27)	
	(04) (10) Combined <input type="checkbox"/>	(28)	
	(05) (11) Amended <input type="checkbox"/>	(29)	
<b>Fiscal Year of Cost</b>	(06)	(12)	(30)
<b>Total Claimed Amount</b>	(07)	(13)	(31)
Less: <b>10% Late Penalty</b> (refer to attached Instructions)		(14)	(32)
Less: <b>Prior Claim Payment Received</b>		(15)	(33)
<b>Net Claimed Amount</b>		(16)	(34)
<b>Due from State</b>	(08)	(17)	(35)
<b>Due to State</b>		(18)	(36)

**(37) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district or county office of education 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 Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.

I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received, for reimbursement of costs claimed herein; claimed costs are for a new program or increased level of services of an existing program; and claimed amounts do not include charter school costs, either directly or through a third party. 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 amount for this reimbursement is hereby claimed from the State for payment of 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 Signed \_\_\_\_\_  
 \_\_\_\_\_ Telephone Number \_\_\_\_\_  
 \_\_\_\_\_ E-mail Address \_\_\_\_\_

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim Telephone Number \_\_\_\_\_  
 \_\_\_\_\_ E-mail Address \_\_\_\_\_  
 Name of Consulting Firm / Claim Preparer Telephone Number \_\_\_\_\_  
 \_\_\_\_\_ E-mail Address \_\_\_\_\_

**PROGRAM**  
**048**

**NOTIFICATION OF TRUANCY  
Certification Claim Form  
Instructions for Form FAM-27**

**FORM**  
**FAM-27**

- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown in the attached Form-1 line (08). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim is timely filed. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
  - Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form-1, (03), means the information is located on form Form-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, telephone number and E-mail address. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and E-mail address of the agency contact person for the claim. If claim is prepared by external consultant, type or print the name of the consulting firm, telephone number, and e-mail address.

**SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS 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 700  
Sacramento, CA 95816**

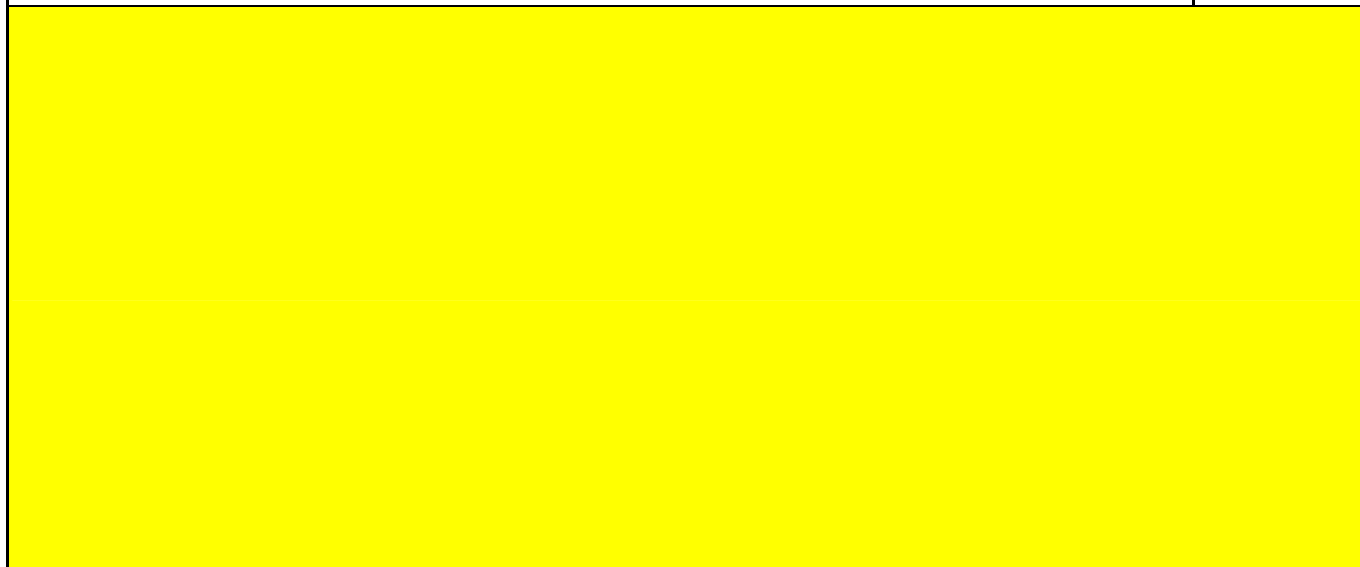
<b>Program</b> <span style="font-size: 24pt;"><b>048</b></span>	<b>MANDATED COSTS</b> <b>NOTIFICATION OF TRUANCY</b> <b>CLAIM SUMMARY</b>	<b>FORM</b> <span style="font-size: 24pt;"><b>1</b></span>
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(01) Claimant	(02)	Fiscal Year __ / __
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**Claim Statistics**

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



(04) Unit Cost	[\$17.74 for fiscal year 2008-09]	
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(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)}]	
---------------------------	---------------------------------------	--

<b>Program</b> <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>CLAIM SUMMARY</b> <b>Instructions</b>	<b>FORM</b> <b>1</b>
------------------------------	---	-------------------------

- (01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A Form-1 should be completed for each department.
- (02) Enter the fiscal year of costs.
- (03) Enter the number of truant notifications that were sent during the fiscal year of claim, upon the students' initial classification of truancy.
- (04) The unit cost rate for fiscal year 08-09 is \$17.74 per initial notification. This unit cost rate will be updated annually in the Annual Revisions for Schools.
- (05) Multiply line (03), the number of truant notifications by line (04), the unit cost rate.
- (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 including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (08) Total Claimed Amount. From Total Costs, line (05), subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.

## A. STATE OF CALIFORNIA TRAVEL EXPENSE GUIDELINES

### Travel Program Effective January 31, 2002

The travel reimbursement program continues to be subject to the Internal Revenue Service (IRS) requirements for an accountable plan. There are no flat rate reimbursements. All items are to be claimed for the actual amount of expense, up to the maximum allowed. If the provisions below do not require submission of a receipt for a given item of expense, it is the employee's responsibility to retain receipts and other records of the expense and have them available for audit.

Lodging and meals that are provided by the State, including hotel expenses, conference fees, or transportation costs such as airline tickets; or otherwise provided shall not be claimed for reimbursement.

Employees may be reimbursed for actual expenses for breakfast, lunch, dinner, and incidentals for each 24 hours of travel, as follows:

Breakfast	up to	\$6.00
Lunch	up to	10.00
Dinner	up to	18.00
Incidentals	up to	6.00

Incidental expenses include, but are not limited to, expenses for laundering and pressing of clothing and tips for services such as porters and baggage handlers. Incidentals do not include taxicab fares, lodging taxes, or the cost of telegrams or telephone calls.

#### Lodging

All lodging reimbursements require a receipt from a commercial lodging establishment such as a hotel, motel, bed and breakfast inn, or campground that caters to the general public. No lodging will be reimbursed without a valid receipt. Employees who stay with friends or relatives are not eligible for lodging reimbursement, but may claim their actual expenses for meals and incidentals.

#### Short-Term Travel

A. For continuous short-term travel of more than 24 hours but less than 31 days, the employee will be reimbursed for actual costs up to the maximum for each meal, incidental, and lodging expense for each completed 24 hours of travel, beginning with the traveler's time of departure and return as follows:

1. On the first day of travel at the beginning of a trip of more than 24 hours:
  - Trip begins at or before 6 a.m. - Breakfast may be claimed
  - Trip begins at or before 11 a.m. - Lunch may be claimed
  - Trip begins at or before 5 p.m. - Dinner may be claimed
2. On the fractional day of travel at the end of a trip of more than 24 hours:
  - Trip ends at or after 8 a.m. - Breakfast may be claimed
  - Trip ends at or after 2 p.m. - Lunch may be claimed
  - Trip ends at or after 7 p.m. - Dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expenses may be claimed or reimbursed more than once on any given date or during any 24-hour period.

- B.** For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses, up to a maximum as follows:

Travel begins at or before 6 a.m. and ends at or after 9 a.m. - Breakfast may be claimed  
Travel begins at or before 4 p.m. and ends at or after 7 p.m. - Dinner may be claimed

If the trip extends overnight, receipted lodging may be claimed. No lunch or incidentals may be claimed on a trip of less than 24 hours.

### **Short-Term Travel Maximum Lodging Reimbursement Rate**

- A.** Statewide except as in (B) and (C) below, actual receipted lodging up to \$84 plus tax.
- B.** When required to conduct state business and obtain lodging in the counties of Los Angeles and San Diego, reimbursement will be for actual receipted lodging, to a maximum of \$110 plus tax.
- C.** When required to conduct state business and obtain lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara, reimbursement will be for actual receipted lodging, to a maximum of \$140 plus tax.

### **Long-Term Travel**

Actual expenses for long-term meals and receipted lodging will be reimbursed when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

#### **A. Full Long-Term Travel**

To qualify for full long-term travel reimbursement, the employee on a long-term field assignment must meet the following criteria:

- a) The employee continues to maintain a permanent residence at the primary headquarters, and either,
- b) The permanent residence is occupied by the employee's dependents, or
- c) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

The employee who is living at the long-term location may claim either:

1. Reimbursement for actual individual expense, substantiated by receipts for lodging, water, sewer, gas, and electricity, up to a maximum of \$1,130 per calendar month while on the long-term assignment, and actual expenses up to \$10 for meals and incidentals, for each period of 12 to 24 hours and up to \$5 for actual meals and incidentals for each period of less than 12 hours at the long-term location, or
2. Long-term subsistence rates of \$24 for actual meals and incidentals, \$24 for receipted lodging for travel of 12 hours up to 24 hours, and either \$24 for actual meals or \$24 for receipted lodging for travel less than 12 hours when the employee incurs expenses in one location comparable to those arising from the use of establishments catering to long-term visitors.

**B. Partial Long-Term Travel**

An employee on long-term field assignment who does not maintain a separate residence in the headquarters area may claim long-term subsistence rates of up to \$12 for actual meals and incidentals and \$12 for receipted lodging for travel of 12 hours up to 24 hours at the long-term location, and either \$12 for actual meals or \$12 for receipted lodging for travel less than 12 hours at the long-term location.

**Receipts**

Receipts or vouchers shall be submitted for every item of expense of \$25 or more.

- a) Receipts are required for every item of transportation and business expense incurred as a result of conducting state business except for actual expenses as follows:
  1. Railroad and bus fares of less than \$25, when travel is wholly within the State of California.
  2. Street car, ferry fares, bridge and road tolls, local rapid transit system, taxi, shuttle, or hotel bus fares, and parking fees of \$10 or less for each continuous period of parking or each separate transportation expense noted in this item.
  3. Telephone, telegraph, tax, or other business charges related to state business of \$5 or less.
  4. In the absence of a receipt, reimbursement will be limited to the non-receipted amount above.
- b) Reimbursement will be claimed only for the actual and necessary expenses noted above. Regardless of the above exceptions, the approving officer may require additional certification and/or explanation in order to determine that an expense was actually and reasonably incurred. In the absence of a satisfactory explanation, the expense shall not be allowed.

**Mileage**

When an employee is authorized by his/her appointing authority or designee to operate a privately owned vehicle on state business, effective January 1, 2009, the employee will be allowed to claim and be reimbursed 55 cents per mile.

## B. GOVERNMENT CODE SECTIONS 17500-17617

### **GC §17500: Legislative Findings and Declarations**

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for the costs of state-mandated local programs has not provided for the effective determination of the state's responsibilities under Section 6 of Article XIII B of the California Constitution. The Legislature finds and declares that the failure of the existing process to adequately and consistently resolve the complex legal questions involved in the determination of state-mandated costs has led to an increasing reliance by local agencies and school districts on the judiciary and, therefore, in order to relieve unnecessary congestion of the judicial system, it is necessary to create a mechanism which is capable of rendering sound quasi-judicial decisions and providing an effective means of resolving disputes over the existence of state-mandated local programs. It is the intent of the Legislature in enacting this part to provide for the implementation of Section 6 of Article XIII B of the California Constitution. Further, the Legislature intends that the Commission on State Mandates, as a quasi-judicial body, will act in a deliberative manner in accordance with the requirements of Section 6 of Article XIII B of the California Constitution.

### **GC §17510: Construction of Part**

Unless the context otherwise requires, the definitions contained in this chapter govern the construction of this part. The definition of a word applies to any variants thereof and the singular tense of a word includes the plural.

### **GC §17511: "City"**

"City" means any city whether general law or charter, except a city and county.

### **GC §17512: "Commission"**

"Commission" means the Commission on State Mandates.

### **GC §17513: "Cost Mandated by the Federal Government"**

"Costs mandated by the federal government" means any increased costs incurred by a local agency or school district after January 1, 1973, in order to comply with the requirements of a federal statute or regulation. "Costs mandated by the federal government" includes costs resulting from enactment of a state law or regulation where failure to enact that law or regulation to meet specific federal program or service requirements imposed upon the state would result in substantial monetary penalties or loss of funds to public or private persons in the state whether the federal law was enacted before or after the enactment of the state law, regulation, or executive order. "Costs mandated by the federal government" does not include costs which are specifically reimbursed or funded by the federal or state government or programs or services which may be implemented at the option of the state, local agency, or school district.

### **GC §17514: "Costs Mandated by the State"**

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.



**GC §17515: "County"**

"County" means any chartered or general law county. "County" includes a city and county.

**GC §17516: "Executive Order"**

"Executive order" means any order, plan, requirement, rule, or regulation issued by any of the following: (a) The Governor. (b) Any officer or official serving at the pleasure of the Governor. (c) Any agency, department, board, or commission of state government. "Executive order" does not include any order, plan, requirement, rule, or regulation issued by the State Water Resources Control Board or by any regional water quality control board pursuant to Division 7 (commencing with Section 13000) of the Water Code. It is the intent of the Legislature that the State Water Resources Control Board and regional water quality control boards will not adopt enforcement orders against publicly owned dischargers which mandate major waste water treatment facility construction costs unless federal financial assistance and state financial assistance pursuant to the Clean Water Bond Act of 1970 and 1974, is simultaneously made available. "Major" means either a new treatment facility or an addition to an existing facility, the cost of which is in excess of 20 percent of the cost of replacing the facility.

**GC §17517.5: "Cost Savings authorized by the state"**

"Cost savings authorized by the state" means any decreased costs that a local agency or school district realizes as a result of any statute enacted or any executive order adopted that permits or requires the discontinuance of or a reduction in the level of service of an existing program that was mandated before January 1, 1975.

**GC §17518: "Local Agency"**

"Local agency" means any city, county, special district, authority, or other political subdivision of the state.

**GC §17518.5: "Reasonable Reimbursement Methodology"**

(a) "Reasonable reimbursement methodology" means a formula for reimbursing local agencies and school districts for costs mandated by the state, as defined in Section 17514. (b) A reasonable reimbursement methodology shall be based on cost information from a representative sample of eligible claimants, information provided by associations of local agencies and school districts, or other projections of local costs. (c) A reasonable reimbursement methodology shall consider the variation in costs among local agencies and school districts to implement the mandate in a cost-efficient manner. (d) Whenever possible, a reasonable reimbursement methodology shall be based on general allocation formulas, uniform cost allowances, and other approximations of local costs mandated by the state, rather than detailed documentation of actual local costs. In cases when local agencies and school districts are projected to incur costs to implement a mandate over a period of more than one fiscal year, the determination of a reasonable reimbursement methodology may consider local costs and state reimbursements over a period of greater than one fiscal year, but not exceeding 10 years. (e) A reasonable reimbursement methodology may be developed by any of the following: (1) The Department of Finance. (2) The Controller. (3) An affected state agency. (4) A claimant. (5) An interested party.

**GC §17519: "School District"**

"School district" means any school district, community college district, or county superintendent of schools.

**GC §17520: "Special District"**

"Special district" means any agency of the state that performs governmental or proprietary functions within limited boundaries. "Special district" includes a county service area, a maintenance district or area, an improvement district or improvement zone, or any other zone or area. "Special district" does not include a city, a county, a school district, or a community college district. County free libraries established pursuant to Chapter 2 (commencing with Section 27151) of Division 20 of the Education Code, areas receiving county fire protection services pursuant to Section 25643 of the Government Code, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered "special districts" for all purposes of this part.

**GC §17521: "Test Claim"**

"Test claim" means the first claim filed with the commission alleging that a particular statute or executive order imposes costs mandated by the state, and includes a claim filed pursuant to Section 17574.

**GC §17521.5: "Legislatively Determined Mandate"**

"Legislatively determined mandate" means the provisions of a statute or executive order that the Legislature, pursuant to Article 1.5, has declared by statute to be a mandate for which reimbursement is required by Section 6 of Article XIII B of the California Constitution.

**GC §17522: Definitions**

(a) "Initial reimbursement claim" means a claim filed with the Controller by a local agency or school district for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558. (b) "Annual reimbursement claim" means a claim for actual costs incurred in a prior fiscal year filed with the Controller by a local agency or school district for which appropriations are made to the Controller for this purpose. (c) "Estimated reimbursement claim" means a claim filed with the Controller by a local agency or school district in conjunction with an initial reimbursement claim, annual reimbursement claim, or at other times, for estimated costs to be reimbursed during the current or future fiscal years, for which appropriations are made to the Controller for this purpose. (d) "Entitlement claim" means a claim filed by a local agency or school district with the Controller for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to Section 17616.

**GC §17523: "Deflator"**

"Deflator" means the Implicit Price Deflator for the Costs of Goods and Services to Governmental Agencies, as determined by the Department of Finance.

**GC §17524: "Base Year Entitlement"**

"Base year entitlement" means that amount determined to be the average for the approved reimbursement claims of each local agency or school district for the three preceding fiscal years adjusted by the change in the deflator. A base year entitlement shall not include any nonrecurring or initial startup costs incurred by a local agency or school district in any of those three fiscal years. For those mandates which become operative on January 1 of any year, the amount of the "approved reimbursement claim" for the first of the three years may be computed by annualizing the amount claimed for the six-month period of January through June in that first year, excluding nonrecurring or startup costs.

**GC §17525: Members: Term and Per Diem for Specified Members**

(a) There is hereby created the Commission on State Mandates, which shall consist of seven members as follows: (1) The Controller. (2) The Treasurer. (3) The Director of Finance. (4) The Director of the Office of Planning and Research. (5) A public member with experience in public finance, appointed by the Governor and approved by the Senate. (6) Two members from the following three categories appointed by the Governor and approved by the Senate, provided that no more than one member shall come from the same category: (A) A city council member. (B) A member of a county or city and county board of supervisors. (C) A governing board member of a school district as defined in Section 17519. (b) Each member appointed pursuant to paragraph (5) or (6) of subdivision (a) shall be subject to both of the following: (1) The member shall serve for a term of four years subject to renewal. (2) The member shall receive per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties and shall be reimbursed for any actual and necessary expenses incurred in connection with the performance of duties as a member of the commission.

**GC §17526: Commission Meetings**

(a) All meetings of the commission shall be open to the public, except that the commission may meet in executive session to consider the appointment or dismissal of officers or employees of the commission or to hear complaints or charges brought against a member, officer, or employee of the commission. (b) The commission shall meet at least once every two months. (c) The time and place of meetings may be set by resolution of the commission, by written petition of a majority of the members, or by written call of the chairperson. The chairperson may, for good cause, change the starting time or place, reschedule, or cancel any meeting.

**GC §17527: Powers of Commission**

In carrying out its duties and responsibilities, the commission shall have the following powers: (a) To examine any document, report, or data, including computer programs and data files, held by any local agency or school district. (b) To meet at times and places as it may deem proper. (c) As a body or, on the authorization of the commission, as a committee composed of one or more members, to hold hearings at any time and place it may deem proper. (d) Upon a majority vote of the commission, to issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents. (e) To administer oaths. (f) To contract with other agencies or individuals, public or private, as it deems necessary, to provide or prepare services, facilities, studies, and reports to the commission as will assist it in carrying out its duties and responsibilities. (g) To adopt, promulgate, amend, and rescind rules and regulations, which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act provided for in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2. (h) To do any and all other actions necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted to it.

**GC §17528: Election of Officers**

The members of the commission shall elect a chairperson and a vice chairperson of the commission.

**GC §17529: Appointment of Attorney: Duties**

The commission may appoint as attorney to the commission an attorney at law of this state, who shall hold office at the pleasure of the commission. The attorney shall represent and appear for the commission in all actions and proceedings involving any question under this part or under any order or act of the commission. The attorney shall advise the commission and each member of the commission, when so requested, in regard to all matters in connection with the powers and duties of the commission and the members thereof. The attorney shall generally perform all duties and services as attorney to the commission which the commission may require.

**GC §17530: Appointment of Executive Director: Duties**

The commission shall appoint an executive director, who shall be exempt from civil service and shall hold office at the pleasure of the commission. The executive director shall be responsible for the executive and administrative duties of the commission and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the jurisdiction of the commission. The executive director shall keep a full and true record of all proceedings of the commission, issue all necessary process, writs, warrants, and notices, and perform other duties as the commission prescribes.

**GC §17531: Authority of Executive Director to Employ Necessary Staff**

The executive director may employ those officers, examiners, experts, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law.

**GC §17532: Quorum: Investigations, Inquiries, and Hearing**

A majority of the commissioners shall constitute a quorum for the transaction of any business, for the performance of any duty, or for the exercise of any power of the commission. Any investigation, inquiry, or hearing which the commission has power to undertake or to hold may be undertaken or held by or before any commissioner or commissioners designated for the purpose by the commission. The evidence in any investigation, inquiry, or hearing may be taken by the commissioner or commissioners to whom the investigation, inquiry, or hearing has been assigned or, in his or her or their behalf, by an examiner designated for that purpose. Every finding, opinion, and order made by the commissioner or commissioners so designated, pursuant to the investigation, inquiry, or hearing, when approved or confirmed by the commission and ordered filed in its office, shall be deemed to be the finding, opinion, and order of the commission.

**GC §17533: Provisions not Applicable to Hearing by Commission**

Notwithstanding Section 11425.10, Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 does not apply to a hearing by the commission under this part.

**GC §17550: Reimbursements of Local Agencies and Special Districts**

Reimbursement of local agencies and school districts for costs mandated by the state shall be provided pursuant to this chapter.

**GC §17551: Commission Hearing and Decision Upon Claims**

(a) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district that the local agency or school district is entitled to be reimbursed by the state for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution. (b) Except as provided in Sections 17573 and 17574, commission review of claims may be had pursuant to subdivision (a) only if the test claim is filed within the time limits specified in this section. (c) Local agency and school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. (d) The commission, pursuant to the provisions of this chapter, shall hear and decide upon a claim by a local agency or school district filed on or after January 1, 1985, that the Controller has incorrectly reduced payments to the local agency or school district pursuant to paragraph (2) of subdivision (d) of Section 17561.

**GC §17552: Exclusivity of Procedure by Chapter**

This chapter shall provide the sole and exclusive procedure by which a local agency or school district may claim reimbursement for costs mandated by the state as required by Section 6 of Article XIII B of the California Constitution.

**GC §17553: Adoption of Procedure for Receiving Claims and Providing Hearings: Postponement of Hearings**

(a) The commission shall adopt procedures for receiving claims filed pursuant to this article and Section 17574 for providing a hearing on those claims. The procedures shall do all of the following: (1) Provide for presentation of evidence by the claimant, the Department of Finance and any other affected department or agency, and any other interested person. (2) Ensure that a statewide cost estimate is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. This deadline may be extended for up to six months upon the request of either the claimant or the commission. (3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing. (b) All test claims shall be filed on a form prescribed by the commission and shall contain at least the following elements and documents: (1) A written narrative that identifies the specific sections of statutes or executive orders and the effective date and register number of regulations alleged to contain a mandate and shall include all of the following: (A) A detailed description of the new activities and costs that arise from the mandate. (B) A detailed description of existing activities and costs that are modified by the mandate. (C) The actual increased costs incurred by the claimant during the fiscal year for which the claim was filed to implement the alleged mandate. (D) The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (E) A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim was filed. (F) Identification of all of the following: (i) Dedicated state funds appropriated for this program. (ii) Dedicated federal funds appropriated for this program. (iii) Other non-local agency funds dedicated for this program. (iv) The local agency's general purpose funds for this program. (v) Fee authority to offset the costs of this program. (G) Identification of prior mandate determinations made by the Commission on State Mandates or a predecessor agency that may be related to the alleged mandate. (H) Identification of a legislatively determined mandate pursuant to Section 17573 that is on the same statute or executive order. (2) The written narrative shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information or belief, and signed by persons who are authorized and competent to do so, as follows: (A) Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate. (B) Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs. (C) Declarations describing new activities performed to implement specified provisions of the new statute or executive order alleged to impose a reimbursable state-mandated program. Specific references shall be made to chapters, articles, sections, or page numbers alleged to impose a reimbursable state-mandated program. (D) If applicable, declarations describing the period of reimbursement and payments received for full reimbursement of costs for a legislatively determined mandate pursuant to Section 17573, and the authority to file a test claim pursuant to paragraph (1) of Section 17574. (3) (A) The written narrative shall be supported with copies of all of the following: (i) The test claim statute that includes the bill number or executive order, alleged to impose or impact a mandate. (ii) Relevant portions of state constitutional provisions, federal statutes, and executive orders that may impact the alleged mandate. (iii) Administrative decisions and court decisions cited in the narrative. (B) State mandate determinations made by the Commission on State Mandates or a predecessor agency and published court decisions on state mandate determinations made by the Commission on State Mandates are exempt from this requirement. (4) A test claim shall be signed at the end of the document, under penalty of perjury by the claimant or its authorized representative, with the declaration that the test claim is true and complete to the best of the declarant's personal knowledge or information or belief. The date of signing, the declarant's title, address, telephone number, facsimile machine telephone number, and electronic mail address shall be included.

(c) If a completed test claim is not received by the commission within 30 calendar days from the date that an incomplete test claim was returned by the commission, the original test claim filing date may be disallowed, and a new test claim may be accepted on the same statute or executive order. (d) In addition, the commission shall determine whether an incorrect reduction claim is complete within 10 days after the date that the incorrect reduction claim is filed. If the commission determines that an incorrect reduction claim is not complete, the commission shall notify the local agency and school district that filed the claim stating the reasons that the claim is not complete. The local agency or school district shall have 30 days to complete the claim. The commission shall serve a copy of the complete incorrect reduction claim on the Controller. The Controller shall have no more than 90 days after the date the claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

### **GC §17554: Commission's Authority to Expedite Claim**

With the agreement of all parties to the claim, the commission may waive the application of any procedural requirement imposed by this chapter or pursuant to Section 17553. The authority granted by this section includes the consolidation of claims and the shortening of time periods.

### **GC §17555: Date for Public Hearing: Test Claim Form and Procedure**

(a) No later than 30 days after hearing and deciding upon a test claim pursuant to subdivision (a) of Section 17551, and determining the amount to be subvended to local agencies and school districts for reimbursement pursuant to subdivision (a) of Section 17557, the commission shall notify the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, the Department of Finance, and the Controller of that decision. (b) For purposes of this section, the "appropriate policy committee" means the policy committee that has jurisdiction over the subject matter of the statute, regulation, or executive order, and bills relating to that subject matter would have been heard.

### **GC §17556: Criteria for not Finding Costs Mandated by the State**

The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds any one of the following: (a) The claim is submitted by a local agency or school district that requested legislative authority for that local agency or school district to implement the program specified in the statute, and that statute imposes costs upon that local agency or school district requesting the legislative authority. A resolution from the governing body or a letter from a delegated representative of the governing body of a local agency or school district that requests authorization for that local agency or school district to implement a given program shall constitute a request within the meaning of this subdivision. (b) The statute or executive order affirmed for the state a mandate that had been declared existing law or regulation by action of the courts. (c) The statute or executive order imposes a requirement that is mandated by a federal law or regulation and results in costs mandated by the federal government, unless the statute or executive order mandates costs that exceed the mandate in that federal law or regulation. This subdivision applies regardless of whether the federal law or regulation was enacted or adopted prior to or after the date on which the state statute or executive order was enacted or issued. (d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service. (e) The statute, executive order, or an appropriation in a Budget Act or other bill provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, or includes additional revenue that was specifically intended to fund the costs of the state mandate in an amount sufficient to fund the cost of the state mandate. (f) The statute or executive order imposes duties that are necessary to implement, reasonably within the scope of, or expressly included in, a ballot measure approved by the votes in a statewide or local election. This subdivision applies regardless of whether the statute or executive order was enacted or adopted before or after the date on which the ballot measure was approved by the voters. (g) The statute created a new crime or infraction, eliminated a

crime or infraction, or changed the penalty for a crime or infraction, but only for that portion of the statute relating directly to the enforcement of the crime or infraction.

**GC §17557: Determination of Amount to be Subvened for Reimbursement: Parameters and Guidelines**

(a) If the commission determines there are costs mandated by the state pursuant to Section 17551, it shall determine the amount to be subvened to local agencies and school districts for reimbursement. In so doing it shall adopt parameters and guidelines for reimbursement of any claims relating to the statute or executive order. The successful test claimants shall submit proposed parameters and guidelines within 30 days of adoption of a statement of decision on a test claim. At the request of a successful test claimant, the commission may provide for one or more extensions of this 30-day period at any time prior to its adoption of the parameters and guidelines. If proposed parameters and guidelines are not submitted within the 30-day period and the commission has not granted an extension, then the commission shall notify the test claimant that the amount of reimbursement the test claimant is entitled to for the first 12 months of incurred costs will be reduced by 20 percent, unless the test claimant can demonstrate to the commission why an extension of the 30-day period is justified. (b) In adopting parameters and guidelines, the commission may adopt a reasonable reimbursement methodology. (c) The parameters and guidelines adopted by the commission shall specify the fiscal years for which local agencies and school districts shall be reimbursed for costs incurred. However, the commission may not specify in the parameters and guidelines any fiscal year for which payment could be provided in the annual Budget Act. (d) A local agency, school district, or the state may file a written request with the commission to amend, modify, or supplement the parameters or guidelines. The commission may, after public notice and hearing, amend, modify, or supplement the parameters and guidelines. A parameters and guidelines amendment submitted within 90 days of the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines. A parameters and guidelines amendment filed more than 90 days after the claiming deadline for initial claims, as specified in the claiming instructions pursuant to Section 17561, and on or before the claiming deadline following a fiscal year, shall establish reimbursement eligibility for that fiscal year. (e) A test claim shall be submitted on or before June 30 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year. The claimant may thereafter amend the test claim at any time, but before the test claim is set for a hearing, without affecting the original filing date as long as the amendment substantially relates to the original test claim. (f) In adopting parameters and guidelines, the commission shall consult with the Department of Finance, the affected state agency, the Controller, the fiscal and policy committees of the Assembly and Senate, the Legislative Analyst, and the claimants to consider a reasonable reimbursement methodology that balances accuracy with simplicity.

**GC §17557.1: Statement of Decision on Test Claim**

(a) Notwithstanding any other provision of this part within 30 days of the commission's adoption of a statement of decision on a test claim, the test claimant and the Department of Finance may notify the executive director of the commission in writing of their intent to follow the process described in this section to develop a reasonable reimbursement methodology and statewide estimate of costs for the initial claiming period and budget year for reimbursement of costs mandated by the state in accordance with the statement of decision. The letter of intent shall include the date on which the test claimant and the Department of Finance will submit a plan to ensure that costs from a representative sample of eligible local agency or school district claimants are considered in the development of a reasonable reimbursement methodology. (b) This plan shall also include all of the following information: (1) The date on which the test claimant and Department of Finance will provide to the executive director an informational update regarding their progress in developing the reasonable reimbursement methodology. (2) The date on which the test claimant and Department of Finance will submit to the executive director the draft reasonable reimbursement methodology and proposed statewide estimate of costs for the initial claiming period and budget year. This date shall be no later than 180 days after the date the letter of intent is sent by the test claimant and Department of Finance to the executive

director. (c) At the request of the test claimant and Department of Finance, the executive director may provide for up to four extensions of this 180-day period. (d) The test claimant or Department of Finance may notify the executive director at any time that the claimant or Department of Finance no longer intends to develop a reasonable reimbursement methodology pursuant to this section. In this case, paragraph (2) of subdivision (a) of Section 17553 and Section 17557 shall apply to the test claim. Upon receipt of this notification, the executive director shall notify the test claimant of the duty to submit proposed parameters and guidelines within 30 days under subdivision (a) of Section 17557.

### **GC §17557.2: Broad Support Required; Joint Proposal Prior to Commission Hearing**

(a) A reasonable reimbursement methodology developed pursuant to Section 17557.1 or a joint request for early termination of a reasonable reimbursement methodology shall have broad support from a wide range of local agencies or school districts. The test claimant and Department of Finance may demonstrate broad support from a wide range of local agencies or school districts in different ways including, but not limited to, obtaining endorsement by one or more statewide associations of local agencies or school districts and securing letters of approval from local agencies or school districts. (b) No later than 60 days before a commission hearing, the test claimant and Department of Finance shall submit to the commission joint proposal that shall include all of the following: (1) The draft reasonable reimbursement methodology. (2) The proposed statewide estimate of costs for the initial claiming period and budget year. (3) A description of the steps the test claimant and the Department of Finance undertook to determine the level of support by local agencies or school districts for the draft reasonable reimbursement methodology. (4) An agreement that the reasonable reimbursement methodology developed and approved under this section shall be in effect for a period of five years unless a different term is approved by the commission, or upon submission to the commission of a letter indicating the Department of Finance and test claimant's joint interest in early termination of the reasonable reimbursement methodology. (5) An agreement that, at the conclusion of the period established in paragraph (4), the Department of Finance and the test claimant will consider jointly whether amendments to the methodology are necessary. (c) The commission shall approve the draft reasonable reimbursement methodology if review of the information submitted pursuant to Section 17557.1 and subdivision (b) of this section demonstrates that the draft reasonable reimbursement methodology and statewide estimate of costs for the initial claiming period and budget year have been developed in accordance with Section 17557.1 and meet the requirements of subdivision (a). The commission thereafter shall adopt the proposed statewide estimate of costs for the initial claiming period and budget year. Statewide cost estimates adopted under this section shall be included in the report to the Legislature required under Section 17600 and shall be reported by the commission to the appropriate Senate and Assembly policy and fiscal committees, the Legislative Analyst, and the Department of Finance not later than 30 days after adoption. (d) Unless amendments are proposed pursuant to this subdivision, the reasonable reimbursement methodology approved by the commission pursuant to this section shall expire after either five years, any other term approved by the commission, or upon submission to the commission of a letter indicating the Department of Finance's and test claimant's joint interest in early termination of the reasonable reimbursement methodology. (e) The commission shall approved a joint request for early termination of a reasonable reimbursement methodology if the request meets the requirements of subdivision (a). If the commission approves a joint request for early termination, the commission shall notify the test claimant of the duty to submit proposed parameters and guidelines to the commission pursuant to subdivision (a) of Section 17557. (f) At least one year before the expiration of a reasonable reimbursement methodology, the commission shall notify the Department of Finance and the test claimant that they may do one of the following: (1) Jointly propose amendments to the reasonable reimbursement methodology by submitting the information described in paragraphs (1), (3), and (4) of subdivision (b), and providing an estimate of the mandate's annual cost for the subsequent budget year. (2) Jointly propose that the reasonable reimbursement methodology remain in effect. (3) Allow the reasonable reimbursement methodology to expire and notify the commission that the test claimant will submit proposed parameters and guidelines to the commission pursuant to subdivision (a) of Section 17557 to replace the reasonable reimbursement methodology. (g) The commission shall either approve the continuation of the reasonable reimbursement methodology or approve the jointly proposed amendments to the reasonable reimbursement methodology if the



information submitted in accordance with paragraph (1) of subdivision (d) demonstrates that the proposed amendments were developed in accordance with Section 17557.1 and meet the requirements of subdivision (a) of this section.

**GC §17558: Submission of Parameters and Guidelines to Controller: Transfer of Claims; Claiming Instructions**

(a) The commission shall submit the adopted parameters and guidelines or a reasonable reimbursement methodology approved pursuant to Section 17557.2 to the Controller. As used in this chapter, a “reasonable reimbursement methodology” approved pursuant to Section 17557.2 includes all amendments to the reasonable reimbursement methodology. When the Legislature declares a legislatively determined mandate in accordance with Section 17573 in which claiming instructions are necessary, the Department of Finance shall notify the Controller. (b) Not later than 60 days after receiving the adopted parameters and guidelines, a reasonable reimbursement methodology from the commission, or notification from the Department of Finance, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller shall request assistance from the Department of Finance and may request the assistance of other state agencies. The claiming instructions shall be derived from the test claim decision and the adopted parameters and guidelines, reasonable reimbursement methodology, or statute declaring a legislatively determined mandate. (c) The Controller shall, within 60 days after receiving adopted parameters and guidelines, an amended reasonable reimbursement methodology from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17557, Section 17557.2 or after any decision or order of the commission pursuant to Section 17557.2, or after any action by the Legislature pursuant to Section 17573. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

**GC §17558.5: Reimbursement Claim: Audit; Remittance Advice and Other Notices of Payment**

(a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. (b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim. (c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review. (d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied. (e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

**GC §17558.6: Legislative Intent**

It is the intent of the Legislature that the Commission on State Mandates review its process by which local agencies may appeal the reduction of reimbursement claims on the basis that the reduction is incorrect in order to provide for a more expeditious and less costly process.

**GC §17559: Judicial Review**

(a) The commission may order a reconsideration of all or part of a test claim or incorrect reduction claim on petition of any party. The power to order a reconsideration or amend a test claim decision shall expire 30 days after the statement of decision is delivered or mailed to the claimant. If additional time is needed to evaluate a petition for reconsideration filed prior to the expiration of the 30-day period, the commission may grant a stay of that expiration for no more than 30 days, solely for the purpose of considering the petition. If no action is taken on a petition within the time allowed for ordering reconsideration, the petition shall be deemed denied. (b) A claimant or the state may commence a proceeding in accordance with the provisions of Section 1094.5 of the Code of Civil Procedure to set aside a decision of the commission on the ground that the commission's decision is not supported by substantial evidence. The court may order the commission to hold another hearing regarding the claim and may direct the commission on what basis the claim is to receive a rehearing.

**GC §17560: Deadlines for Filing Reimbursement Claims**

Reimbursement for state-mandated costs may be claimed as follows: (a) A local agency or school district may, by February 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (b) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between November 15 and February 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

**GC §17561: Reimbursement of Costs for State Mandated Programs**

(a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514 and for legislatively determined mandates in accordance with Section 17573. (b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows: (A) Any statute mandating these costs shall provide an appropriation therefor. (B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill that is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts. (2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill. (c) The amount appropriated to reimburse local agencies and school districts for costs mandated by the state shall be appropriated to the Controller for disbursement. (d) The Controller shall pay any eligible claim pursuant to this section by August 15 or 45 days after the date of the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies that would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows: (1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies and school districts pursuant to Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission, the

reasonable reimbursement methodology approved by the commission pursuant to Section 17557.2, or statutory declaration of a legislative determined and reimbursement methodology pursuant to Section 17573. (A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 or 17573 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions. (B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller. (C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (i) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, the application of a reasonable reimbursement methodology, or application of a legislatively enacted reimbursement methodology under Section 17573, and (ii) may reduce any claim that the Controller determines is excessive or unreasonable. (2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit (i) the records of any local agency or school district to verify the actual amount of the mandated costs, (ii) the application of a reasonable reimbursement methodology, or (iii) application of a legislatively enacted reimbursement methodology under Section 17573.(B) may reduce any claim that the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years. (3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates . (e) (1) Except as specified in paragraph (2), for the purposes of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the Constitution, a mandate that is "determined in a preceding fiscal year to be payable by the state" means any mandate for which the commission adopted a statewide cost estimate pursuant to this part during a previous fiscal year or that were identified as mandates by a predecessor agency to the commission, or that the Legislature declared by statute to be a legislatively determined mandate, unless the mandate has been repealed or otherwise eliminated. (2) If the commission adopts a statewide cost estimate for a mandate during the months of April, May, or June, the state's payment obligation under subdivision (b) of Section 6 of Article XIII B shall commence one year after the time specified in paragraph (1).

#### **GC §17561.5: Payment of Claim with Interest**

The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

**GC §17561.6: Payment**

A budget act item or appropriation pursuant to this part for reimbursement of claims shall include an amount necessary to reimburse any interest due pursuant to Section 17561.5.

**GC §17562: Review of Costs of State-Mandated Local Programs**

(a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs. (b) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by October 31 of each fiscal year beginning with the 2007-08 fiscal year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. This report shall be made available in an electronic spreadsheet format. The report shall compare the annual cost of each mandate. In the preceding fiscal year to the amount determined to be payable by the state for that fiscal year. (2) The Controller shall submit a report to the Joint Legislative Budget Committee, the applicable fiscal committees, and the Director of Finance by April 30 of each fiscal year. This report shall summarize, by state mandate, the total amount of unpaid claims by fiscal year that were submitted before April 1 of that fiscal year. The report shall also summarize any mandate deficiencies or surpluses. It shall be made available in an electronic spreadsheet, and shall be used for the purpose of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the California Constitution. (c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified. (d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall report total annual state costs for mandated programs and, as appropriate, provide an analysis of specific mandates and make recommendations on whether the mandate should be repealed, funded, suspended, or modified. (e) (1) A statewide association of local agencies or school districts or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by December 1 of each year. (2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report and recommendations shall be submitted annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst. (3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year. (f) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following: (1) The reports and recommendations submitted pursuant to subdivision (e). (2) The reports submitted pursuant to Sections

17570, 17600, and 17601. (3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

**GC §17563: Use of Funds Received for Public Purpose**

Any funds received by a local agency or school district pursuant to the provisions of this chapter may be used for any public purpose.

**GC §17564: Filing of Claims: Threshold Amount**

(a) No claim shall be made pursuant to Sections 17551, 17561, or 17573, nor shall any payment be made on claims submitted pursuant to Sections 17551 or 17561, or pursuant to a legislative determination under Section 17573, unless these claims exceed one thousand dollars (\$1,000), provided that a county superintendent of schools or county may submit a combined claim on behalf of school districts, direct service districts, or special districts within their county if the combined claim exceeds one thousand dollars (\$1,000) even if the individual school district's, direct service district's, or special district's claims do not each exceed one thousand dollars (\$1,000). The county superintendent of schools or the county shall determine if the submission of the combined claim is economically feasible and shall be responsible for disbursing the funds to each school, direct service, or special district. These combined claims may be filed only when the county superintendent of schools or the county is the fiscal agent for the districts. All subsequent claims based upon the same mandate shall only be filed in the combined form unless a school district, direct service district, or special district provides to the county superintendent of schools or county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim. (b) Claims for direct and indirect costs filed pursuant to Section 17561 shall be filed in the manner prescribed in the parameters and guidelines or reasonable reimbursement methodology and claiming instructions. (c) Claims for direct and indirect costs filed pursuant to a legislatively determined mandate pursuant to Section 17573 shall be filed and paid in the manner prescribed in the Budget Act or other bill, or claiming instructions, if applicable.

**GC §17565: Reimbursement of Subsequently Mandated Costs**

If a local agency or a school district, at its option, has been incurring costs which are subsequently mandated by the state, the state shall reimburse the local agency or school district for those costs incurred after the operative date of the mandate.

**GC §17567: Insufficiency of Appropriation: Proration of Claims**

In the event that the amount appropriated for reimbursement purposes pursuant to Section 17561 is not sufficient to pay all of the claims approved by the Controller, the Controller shall prorate claims in proportion to the dollar amount of approved claims timely filed and on hand at the time of proration. The Controller shall adjust prorated claims if supplementary funds are appropriated for this purpose. In the event that the Controller finds it necessary to prorate claims as provided by this section, the Controller shall immediately report this action to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each house of the Legislature which considers appropriations in order to assure appropriation of these funds in the Budget Act.

**GC §17568: Payment of Claims Submitted After Deadline**

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount which would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed ten thousand dollars (\$10,000). In no case shall a reimbursement claim be paid which is submitted more than one year after

the deadline specified in Section 17560. Estimated claims which were filed by the deadline specified in that section shall be paid in full before payments are made on estimated claims filed after the deadline. In the event the amount appropriated to the Controller for reimbursement purposes is not sufficient to pay the estimated claims approved by the Controller, the Controller shall prorate those claims in proportion to the dollar amount of approved claims filed after the deadline and shall report to the commission or the Legislature in the same manner as described in Section 17566 in order to assure appropriation of funds sufficient to pay those claims.

**GC §17570: Annual Report to Legislature**

The Legislative Analyst shall review each unfunded statutory or regulatory mandate for which claims have been approved by the Legislature pursuant to a claims bill during the preceding fiscal year. Any recommendations by the Legislative Analyst to eliminate or modify the mandates shall be contained in the annual analysis of the Budget Bill prepared by the Legislative Analyst.

**GC §17571: Review and Modification of Claiming Instructions**

The commission, upon request of a local agency or school district, shall review the claiming instructions issued by the Controller or any other authorized state agency for reimbursement of mandated costs. If the commission determines that the claiming instructions do not conform to the parameters and guidelines, the commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the commission.

**GC §17575: Review of Bills**

When a bill is introduced in the Legislature, and each time a bill is amended, on and after January 1, 1985, the Legislative Counsel shall determine whether the bill mandates a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution. The Legislative Counsel shall make this determination known in the digest of the bill and shall describe in the digest the basis for this determination. The determination by the Legislative Counsel shall not be binding on the commission in making its determination pursuant to Section 17555.

**GC §17576: Determination of Bills by the Legislative Counsel**

Whenever the Legislative Counsel determines that a bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Department of Finance shall prepare an estimate of the amount of reimbursement which will be required. This estimate shall be prepared for the respective committees of each house of the Legislature which consider taxation measures and appropriation measures and shall be prepared prior to any hearing on the bill by any such committee.

**GC §17577: Amount of Estimates**

The estimate required by Section 17576 shall be the amount estimated to be required during the first fiscal year of a bill's operation in order to reimburse local agencies and school districts for costs mandated by the state by the bill.

**GC §17578: Amendment of Bills on Floor: Notification by Legislative Counsel**

In the event that a bill is amended on the floor of either house, whether by adoption of the report of a conference committee or otherwise, in such a manner as to mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution, the Legislative Counsel shall immediately inform, respectively, the Speaker of the Assembly and the President of the Senate of that fact. Notification from the Legislative Counsel shall be published in the journal of the respective houses of the Legislature.

**GC §17579: Requirement for New Mandates to Specify Reimbursement Requirements: Appropriations**

Any bill introduced or amended for which the Legislative Counsel has determined the bill will mandate a new program or higher level of service pursuant to Section 6 of Article XIII B of the California Constitution shall contain a section specifying that reimbursement shall be made pursuant to this chapter or that the mandate is being disclaimed and the reason therefor.

**GC §17581: Conditions for Exemption from Implementation of Statute or Executive Order**

(a) No local agency shall be required to implement or give effect to any statute or executive order, or portion thereof, during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or executive order, or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute or executive order, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) Within 30 days after enactment of the Budget Act, the Department of Finance shall notify local agencies of any statute or executive order, or portion thereof, for which operation of the mandate is suspended because reimbursement is not provided for that fiscal year pursuant to this section and Section 6 of Article XIII B of the California Constitution. (c) Notwithstanding any other provision of law, if a local agency elects to implement or give effect to a statute or executive order described in subdivision (a), the local agency may assess fees to persons or entities which benefit from the statute or executive order. Any fee assessed pursuant to this subdivision shall not exceed the costs reasonably borne by the local agency. (c) This section shall not apply to any state-mandated local program for the trial courts, as specified in Section 77203. (d) This section shall not apply to any state-mandated local program for which the reimbursement funding counts toward the minimum General Fund requirements of Section 8 of Article XVI of the Constitution.

**GC §17581.5 Exemption from Provisions of School Bus Safety II Mandate and School Crimes Reporting II Mandate**

(a) A school district may not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply: (1) The statute or portion thereof, has been determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of school districts pursuant to Section 6 of Article XIII B of the California Constitution. (2) The statute, or portion thereof, has been specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements. (b) This section applies only to the following mandates: (1) The School Bus Safety I (CSM-4433) and II (97-TC-22) mandates (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997). (2) The School Crimes Reporting II mandate (97-TC-03; and Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995). (3) Investment reports (96-358-02; and Chapter 783 of the Statutes of 1995 and Chapters 156 and 749 of the Statutes of 1996). (4) County treasury oversight committees (96-365-03; and Chapter 784 of the Statutes of 1995 and Chapter 156 of the Statutes of 1996).

**GC §17600: Report on Number of Mandates and Their Costs**

At least twice each calendar year the commission shall report to the Legislature on the number of mandates it has found pursuant to Article 1 (commencing with Section 17550) and the estimated statewide costs of these mandates. This report shall identify the statewide costs estimated for each mandate and the reasons for recommending reimbursement.

**GC §17601: Report on Claims Denied**

The commission shall report to the Legislature on January 15, 1986, and each January 15 thereafter, on the number of claims it denied during the preceding calendar year and the basis on which the particular claims were denied.

**GC §17612: Local Government Claims Bills: Judicial Review of Funding Deletions**

(a) Upon receipt of the report submitted by the commission pursuant to Section 17600, funding shall be provided in the subsequent Budget Act for costs incurred in prior years. No funding shall be provided for years in which a mandate is suspended. (b) The Legislature may amend, modify, or supplement the parameters and guidelines for mandates contained in the local government claims bill. If the Legislature amends, modifies, or supplements the parameters and guidelines, reasonable reimbursement methodology, and adopted statewide estimate of costs for the initial claiming period and budget year for mandates contained in the annual Budget Act. If the Legislature amends, modifies, or supplements the parameters and guidelines, reasonable reimbursement methodology, and adopted statewide estimate of costs for the initial claiming period and budget year, it shall make a declaration in a separate legislation specifying the basis for the amendment, modification, or supplement. (c) If the Legislature deletes from a local government claims bill funding for a mandate, the local agency or school district may file in the Superior Court of the County of Sacramento an action in declaratory relief to declare the mandate unenforceable and enjoin its enforcement.

**GC §17613: Authorization of Augmentation for Mandated Costs**

(a) The Director of Finance may, upon receipt of any report submitted pursuant to Section 17567, authorize the augmentation of the amount available for expenditure to reimburse costs mandated by the state, as defined in Section 17514, as follows: (1) For augmentation of (A) any schedule in any item to reimburse costs mandated by the state in any budget act, or (B) the amount appropriated in a local government claims bill for reimbursement of the claims of local agencies, as defined by Section 17518, from the unencumbered balance of any other item to reimburse costs mandated by the state in that budget act or another budget act or in an appropriation for reimbursement of the claims of local agencies in another local government claims bill. (2) For augmentation of (A) any schedule in any budget act item, or (B) any amount appropriated in a local government claims bill, when either of these augmentations is for reimbursement of mandated claims of school districts, as defined in Section 17519, when the source of this augmentation is (A) the unencumbered balance of any other scheduled amount in that budget act or another budget act, or (B) an appropriation in another local government claims bill, when either of these appropriations is for reimbursement of mandate claims of school districts. This paragraph applies only to appropriations that are made for the purpose of meeting the minimum funding guarantee for educational programs pursuant to Section 8 of Article XVI of the California Constitution. (b) No authorization for an augmentation pursuant to this section may be made sooner than 30 days after the notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

**GC §17615: Legislative Findings and Intent**

The Legislature finds and declares that the existing system for reimbursing local agencies and school districts for actual costs mandated by the state on an annual claim basis is time consuming,



cumbersome, and expensive at both the local and state levels. The Controller must process voluminous claims with all claims subject to a desk audit and selected claims also subject to a field audit. Local agencies are required to maintain extensive documentation of all claims in anticipation of such an audit. The volume of these records is substantial and will continue to grow with no relief in sight as new programs are mandated. The cost to local agencies and school districts for filing claims, and for maintaining documentation and responding to the Controller's audits is substantial. The current administrative cost to both state and local governments represents a significant expenditure of public funds with no apparent benefit to the taxpayers. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the state by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the state.

### **GC §17615.1: Review of Programs for Inclusion in System**

The commission shall establish a procedure for reviewing, upon request, mandated cost programs for which appropriations have been made by the Legislature for the 1982-83, 1983-84, and 1984-85 fiscal years, or any three consecutive fiscal years thereafter. At the request of the Department of Finance, the Controller, or any local agency or school district receiving reimbursement for the mandated program, the commission shall review the mandated cost program to determine whether the program should be included in the State Mandates Apportionment System. If the commission determines that the State Mandates Apportionment System would accurately reflect the costs of the state-mandated program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System.

### **GC §17615.2: Calculation of Disbursement Amounts**

(a) Notwithstanding Section 17561, after November 30, 1985, for those programs included in the State Mandates Apportionment System, after approval by the commission, there shall be disbursed by the Controller to each local agency and school district which has submitted a reimbursement claim for costs mandated by the state in the 1982-83, 1983-84, and the 1984-85 fiscal years, or any three consecutive fiscal years thereafter, an amount computed by averaging the approved reimbursement claims for this three-year period. The amount shall first be adjusted according to any changes in the deflator. The deflator shall be applied separately to each year's costs for the three years which comprise the base period. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1985 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "base period" means the three fiscal years immediately succeeding the commission's approval. (b) When the Controller has made payment on claims prior to commission approval of the program for inclusion in the State Mandates Apportionment System, the payment shall be adjusted in the next apportionment to the amount which would have been subvended to the local agency or school district for that fiscal year had the State Mandates Apportionment System been in effect at the time of the initial payment.

### **GC §17615.3: Annual Recalculation of Allocation**

Notwithstanding Section 17561, by November 30, 1986, and by November 30 of each year thereafter, for those programs included in the State Mandates Apportionment System, the Controller shall recalculate each allocation for each local agency and school district for the 1985-86 fiscal year, by using the actual change in the deflator for that year. That recalculated allocation shall then be adjusted by the estimated change in the deflator for the 1986 -87 fiscal year, and each fiscal year thereafter, to establish the allocation amount for the 1986-87 fiscal year, and each fiscal year thereafter. Additionally, for programs approved by the commission for inclusion in the State Mandates Apportionment System on or after January 1, 1988, the allocation for each year succeeding the three-year base period shall be adjusted according to any changes in both the deflator and workload. The Controller shall then subvене that amount after adjusting it by any amount of overpayment or underpayment in the 1985-86 fiscal year, and each fiscal year thereafter, due to a discrepancy between the actual change and the estimated change in the deflator or workload. Funds for these purposes shall be available to the extent they are provided for in the Budget Act of 1986 and the Budget Act for any subsequent fiscal year thereafter. For purposes of this article, "workload" means, for school districts and county offices of

education, changes in the average daily attendance; for community colleges, changes in the number of full-time equivalent students; for cities and counties, changes in the population within their boundaries; and for special districts, changes in the population of the county in which the largest percentage of the district's population is located.

#### **GC §17615.4: Procedure for Newly Mandated Program**

(a) When a new mandate imposes costs that are funded either by legislation or in local government claims bills, local agencies and school districts may file reimbursement claims as required by Section 17561, for a minimum of three years after the initial funding of the new mandate. (b) After actual cost claims are submitted for three fiscal years against such a new mandate, the commission shall determine, upon request of the Controller or a local entity or school district receiving reimbursement for the program, whether the amount of the base year entitlement adjusted by changes in the deflator and workload accurately reflects the costs incurred by the local agency or school district. If the commission determines that the base year entitlement, as adjusted, does accurately reflect the costs of the program, the commission shall direct the Controller to include the program in the State Mandates Apportionment System. (c) The Controller shall make recommendations to the commission and the commission shall consider the Controller's recommendations for each new mandate submitted for inclusion in the State Mandates Apportionment System. All claims included in the State Mandates Apportionment System pursuant to this section are also subject to the audit provisions of Section 17616.

#### **GC §17615.5: Procedure Where No Base Year Entitlement Has Been Established**

(a) If any local agency or school district has an established base year entitlement which does not include costs for a particular mandate, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, adjusted pursuant to Section 17615.3 by changes in the deflator and workload, or entitlement claims covering a minimum of three consecutive years, after which time its base year entitlement may be adjusted by an amount necessary to fund the costs of that mandate. (b) If any local agency or school district has no base year entitlement, but wishes to begin claiming costs of one or more of the mandates included in the State Mandates Apportionment System, that local agency or school district may submit reimbursement claims for a minimum of three consecutive years, or entitlement claims covering the preceding three consecutive years, which shall be adjusted pursuant to Sections 17615.2 and 17615.3 by changes in the deflator and workload, after which time a base year entitlement may be established in an amount necessary to fund the costs of the mandate or mandates.

#### **GC §17615.6: Procedure Where Program is No Longer Mandatory**

If a local agency or school district realizes a decrease in the amount of costs incurred because a mandate is discontinued, or made permissive, the Controller shall determine the amount of the entitlement attributable to that mandate by determining the base year amount for that mandate for the local agency or school district plus the annual adjustments. This amount shall be subtracted from the annual subvention which would otherwise have been allocated to the local agency or school district.

#### **GC §17615.7: Procedure Where Program is Modified**

If a mandated program included in the State Mandates Apportionment System is modified or amended by the Legislature or by executive order, and the modification or amendment significantly affects the costs of the program, as determined by the commission, the program shall be removed from the State Mandate Apportionment System, and the payments reduced accordingly. Local entities or school districts may submit actual costs claims for a period of three years, after which the program may be considered for inclusion in the State Mandates Apportionment System, pursuant to the provisions of Section 17615.4.

**GC §17615.8: Review of Base Year Entitlement**

(a) The commission shall establish a procedure for reviewing, upon request, any apportionment or base year entitlement of a local agency or school district. (b) Local agencies and school districts which request such a review shall maintain and provide those records and documentation as the commission or its designee determines are necessary for the commission or its designee to make the required determinations. With the exception of records required to verify base year entitlements, the records may not be used to adjust current or prior apportionments, but may be used to adjust future apportionments. (c) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state does not accurately reflect the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission shall direct the Controller to adjust the apportionment accordingly. For the purposes of this section, an apportionment or a base year entitlement does not accurately reflect the costs incurred by a local agency or school district if it falls short of reimbursing, or overreimburses, that local agency's or school district's actual costs by 20 percent or by one thousand dollars (\$1,000), whichever is less. (d) If the commission determines that an apportionment or base year entitlement for funding costs mandated by the state accurately reflects the costs incurred by the local agency or school district for all mandates upon which that apportionment is based, the commission may, in its discretion, direct the Controller to withhold, and, if so directed, the Controller shall withhold the costs of the commission's review from the next apportionment to the local agency or school district, if the commission review was requested by the local agency or school district.

**GC §17615.9: Review of Programs Under SMAS**

The commission shall periodically review programs funded under the State Mandate Apportionments System to evaluate the effectiveness or continued statewide need for each such mandate.

**GC §17616: Audits and Verification by Controller**

The Controller shall have the authority to do either or both of the following: (a) Audit the fiscal years comprising the base year entitlement no later than three years after the year in which the base year entitlement is established. The results of such audits shall be used to adjust the base year entitlements and any subsequent apportionments based on that entitlement, in addition to adjusting actual cost payments made for the base years audited. (b) Verify that any local agency or school district receiving funds pursuant to this article is providing the reimbursed activities.

**GC §17617: Local Agency Payment**

The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the Budget Act for the 2006-07 fiscal year and concluding with the Budget Act for the 2011-12 fiscal year.

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December 16, 2013  
*Commission on  
State Mandates*

## FILING A CLAIM

### 1. Introduction

Government Code (GC) Sections 17500 through 17617 provide for the reimbursement of costs incurred by school districts (SD) for mandated cost programs as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

A reimbursement claim is defined in Government Code (GC) Section 17522 as any claim filed with the State Controller's Office (SCO) by a SD for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. Actual claims for the 2009-10 fiscal year, will be accepted without penalty if postmarked or delivered on or before **February 15, 2011**. Ongoing reimbursement claims filed after the deadline will be reduced by a late penalty of **10%, not to exceed \$10,000**. Amended claims filed after the filing deadline will be reduced by **10% of the increased amount not to exceed \$10,000** for the total claim. Initial reimbursement claims filed after the filing deadline will be reduced by a late penalty of **10% with no limitation**. Claims filed more than one year after the deadline will not be accepted by the SCO.

A charter school is not eligible to file mandated cost claims under these programs because it is not defined as a school district pursuant to GC Section 17519. Accordingly, charter schools cannot be reimbursed for their costs by filing a claim or through a third party's claim such as a school district or superintendent of schools. The Commission on State Mandates (Commission) adopted the Charter School III Statement of Decision on May 25, 2006, which stated that a charter school is voluntarily participating in the charter program at issue and that a charter school is not a school district under GC Section 17519 and therefore is not eligible to claim reimbursement under GC Section 17560

SD's may use the indirect cost rates from the Restricted Indirect Cost Rates for K-12 Local Educational Agencies (LEA's) Five Year Listing issued by the California Department of Education (CDE), School Fiscal Services Division, for the fiscal year of the claim. Since this information is readily available online, there is no need for SD's to file supporting documentation for indirect costs with their claims. Additional information regarding indirect cost rates can be found in Section 2, Filing a Claim, page 10, *Indirect Costs*.

When a program has been reimbursed for three or more years, the Commission may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the implicit price deflator (IPD) and average daily attendance (ADA). Claimants with an established entitlement no longer need to file claims for that program.

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

### 2. Electronic Filing: Local Government e-Claims (LGeC)

LGeC enables claimants and their consultants to securely prepare and submit mandated cost claims via the Internet. LGeC uses a series of data input screens to collect the information needed to prepare a claim and provides a Web service so claims can be uploaded in batch files. The system also incorporates an attachment feature so claimants can electronically attach supporting documentation if required.

The LGeC system provides an easy and straightforward approach to the claiming process. Filing claims using LGeC eliminates the manual preparation and submission of paper claims by SD's and the receiving, processing, key entry, verification, and storage of the paper claims by the SCO. LGeC also provides mathematical checks and automated error detection to reduce erroneous and incomplete claims, provides the State with an electronic workflow process, and stores the claims in an electronic format. Making the change from paper claims to electronic claims reduces the manual handling of paper claims and decreases the costs incurred for postage, handling, and storage of claims filed.

In order to use the LGeC system you will need to obtain a user ID and password for each person who will access the LGeC system. To obtain a User ID and password you must file an application with the SCO. The application and instructions are available on the LGeC Web site located at [http://www.sco.ca.gov/ard\\_lgec.html](http://www.sco.ca.gov/ard_lgec.html). Complete the application and other documents as requested and mail them to the SCO using the address provided in the instructions. The SCO will process the application within three business days and issue a User ID and password to each applicant.

In addition, you may want to subscribe to an email distribution list to automatically receive timely, comprehensive information regarding mandated cost claims, payments, guidelines, electronic claims, and other news and updates. You also will receive related audit reports and mandate information provided by other state agencies.

You can find more information about LGeC and the email distribution lists at [http://www.sco.ca.gov/ard\\_lgec.html](http://www.sco.ca.gov/ard_lgec.html). This Web site provides access to the LGeC system, an application for User ID's and passwords, an instructional guide, frequently asked questions (FAQ's) and additional help files. Questions may be directed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov), or you may call the Local Reimbursements Section at (916) 324-5729.

### 3. Types of Claims

Claimants may file a reimbursement claim for actual mandated costs incurred in the prior fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program, would receive an automatic annual payment which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

#### A. Reimbursement Claim

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

Annual ongoing reimbursement claims must be filed by February 15<sup>th</sup> following the fiscal year in which costs were incurred for the program. Claims for fiscal year 2009-10 will be accepted without late penalty if postmarked or delivered on before February 15<sup>th</sup>, 2011. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed \$10,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. Amended claims filed after the deadline will be reduced by 10% of the increased amount not to exceed \$10,000 for the claim. Claims filed more than one year after the deadline will not be accepted for reimbursement.

#### B. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by SD's with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated cost

program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, these claims should be filed by February 15th, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current year costs.

The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the IPD of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by the Commission for inclusion in SMAS, the payment for each year succeeding the three year base period is adjusted according to any changes by both the IPD and average daily attendance (ADA).

The SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS. Annual apportionments for programs included in the SMAS system are paid on or before November 30th of each year.

#### **4. Minimum Claim Amount**

For initial claims and annual claims filed on or after September 30, 2002, if the total costs for a given year do not exceed \$1,000, no reimbursement will be allowed except as otherwise allowed by GC Section 17564. Combined claims may be filed only when the county office of education (COE) is the fiscal agent for school districts. The COE will determine if the submission of a combined claim is economically feasible and will be responsible for disbursing the funds to each school district. A combined claim must show the individual claim costs for each eligible school district. All subsequent claims based upon the same mandate must only be filed in the combined form unless a school district provides to the COE and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

#### **5. Filing Deadline for Claims**

Pursuant to GC Section 17561(d) initial reimbursement claims (first time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within one hundred and twenty days from the date the SCO issues the claiming instructions for the program. When paying a timely filed claim for initial reimbursement, the Controller may withhold twenty percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. Initial reimbursement claims filed after the filing deadline will be reduced by ten percent of the amount that would have been allowed had the claim been timely filed.

The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a program will be considered as one claim for the purpose of computing any late claim penalty. In no case will a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates.

Pursuant to GC Section 17560, annual reimbursement claims (recurring claims) for costs incurred during the previous fiscal year must be filed with the SCO and postmarked on or before February 15th following the fiscal year in which costs were incurred. If the annual reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed \$10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount not to exceed \$10,000 for the total claim. Claims may not be filed more than one year after the deadline.

## 6. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer. When using the LGeC system, the logon ID and password of the authorized officer is used for the signature and is applied by the LGeC system when the claim is submitted. Pursuant to GC 17561(d), reimbursement claims are paid by October 15 or sixty days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than one year after the adoption of the program's statewide cost estimate.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each House of the Legislature, in order to ensure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the Commission who will include these amounts in its reports to assure that an appropriation sufficient to pay the claims is included in the next local government claims bill or other appropriation bills. Any balances remaining on these claims will be paid when supplementary funds become available.

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

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

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

## 7. State Mandates Apportionment System (SMAS)

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

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each SD that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for any three consecutive fiscal years. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's costs for the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the Commission's approval.

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

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

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

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

The following programs are placed in SMAS:

<b>Program Name</b>	<b>Chapter/Statute</b>	<b>Program Number</b>
Expulsion of Pupil: Transcript Cost	1253/75	91
Immunization Records	1176/77	32

## 8. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand unless otherwise specified in the claiming instructions and made available to the SCO on request.

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

Costs typically classified as direct costs are:

### (1) Employee Wages, Salaries, and Benefits

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

#### (a) Productive Hourly Rate Options

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

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



If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

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

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

**(b) Compute a Productive Hourly Rate**

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

**Table 1: Productive Hourly Rate, Annual Salary + Benefits Method**

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

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

**Table 2: Productive Hourly Rate, Percent of Salary Method**

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

- As illustrated in Table 2, both methods produce the same productive hourly rate.

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

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

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

**(c) Calculating an Average Productive Hourly Rate**

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

**Table 3: Calculating an Average Productive Hourly Rate**

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

**(d) Employer's Benefits Contribution**

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

For example:

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

**(2) Materials and Supplies**

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

**(a) Calculating a Unit Cost for Materials and Supplies**

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

**Table 1: Calculating a Unit Cost for Materials and Supplies**

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

**Table 2: Calculating a Unit Cost for Materials and Supplies**

<b>Supplies</b>	<u>Supplies Used</u>	<u>Unit Cost of Supplies Per Activity</u>
Paper (\$10.00 for 500 sheet ream)	250 Sheets	\$5.00
Files (\$2.50 for box of 25)	10 Folders	1.00
Envelopes (\$3.00 for box of 100)	50 Envelopes	1.50
Photocopies (\$0.05 per copy)	40 Copies	<u>2.00</u>
		<u>\$9.50</u>

If the number of reimbursable instances is 25, then the unit cost of supplies is \$0.38 per reimbursable instance (\$9.50 ÷ 25).

**(3) Contract Services**

The cost of contract services is allowable if the SD lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must keep documentation on hand to support the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed.

**(4) Equipment Rental Costs**

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

**(5) Capital Outlay**

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

**(6) Travel Expenses**

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the P's & G's may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the Department of Personnel Administration (DPA) travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the names and addresses of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, and the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over \$10.00.

**9. Indirect Costs**

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

School District's may use the indirect cost rate from the Restricted Indirect Cost rates for K-12 Local Education Agencies (LEA's) Five Year Listing issued by the California Department of Education (CDE), School Fiscal Services Division, for the fiscal year of costs. The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs.

## 10. Time Study Guidelines

### Background

Two methods are acceptable for documenting employee time charged to mandated cost programs: 1) Actual Time Reporting and 2) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

### Actual Time Reporting

Each program's P's and G's define reimbursable activities for the mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards:

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

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

### Time Study

In certain cases, a time study may be used as a substitute for continuous records of actual time spent on multiple activities and/or programs. A time study can be used for an activity when the task is repetitive in nature. Activities that require varying levels of effort are not appropriate for time studies.

### Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- Time periods to be studied - The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs;
- Activities to be studied - The time study must separately identify each reimbursable activity defined in the mandated program's P's and G's. If a reimbursable activity identifies separate and distinct sub-activities, these sub-activities also must be treated as individual activities;

For example, sub-activities (a) and (b) under reimbursable activity (1) of the Agency Fee Arrangements Program relate to salary deduction and payment of fair share and are not separate and distinct activities. It is not necessary to separately study these sub-activities.

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

number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) can be used for employees performing only a few functions that change very slowly over time. Small increments (a number of minutes) can be used for employees performing more short-term tasks.

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

### **Time Study Documentation**

Time studies must:

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

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

### **Time Study Results**

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variation from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant also may apply time study results retroactively to initial claims, current-year claims, and late-filed claims.

When projecting time study results, the claimant must certify that no significant changes have occurred between years in either (1) the requirements of each mandated program activity; or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows that the mandated activity was actually performed. Time study results used to support claims are subject to the record-keeping requirements for those claims.

## **11. Offsets Against State Mandated Claims**

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

### **A. Example 1:**

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

**Table 5: Offset Against State Mandates, Example 1**

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

\* SD's share is \$50,000 of the program cost.

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

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

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

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

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

#### **B. Example 2:**

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

**Table 6: Offset Against State Mandates, Example 2**

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

\*\* SD's share is \$25,000 of the program cost.

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

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

### **Federal and State Funding Sources**

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

## **12. Notice of Claim Adjustment**

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a *Notice of Claim Adjustment* detailing any adjustment made by the SCO.

## **13. Audit of Costs**

Pursuant to GC Section 17558.5, Subdivision (b), the SCO may conduct a field review of any claim after it has been submitted to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the

P's & G's adopted by the Commission. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

## **14. Source Documents**

Costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee records, or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct" and must further comply with the requirements of Code of Civil Procedure Section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

## **15. Claim Forms and Instructions**

Unless you are filing electronically, a claimant may submit a computer generated report in substitution for Form-1 and Form-2, provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated or printed from SCO's Web site and used by the claimant to file reimbursement claims. The SCO will revise the manual and claim forms as necessary.

### **A. Form-2, Activity Cost Detail**

This form is used to segregate the direct costs by claim activity. In some mandates, specific reimbursable activities have been identified for each activity. The expenses reported on this form must be supported by the official financial records of the claimant. All documents used to



support the reimbursable activities must be retained by the claimant unless required to be submitted with the claim and must be made available to the SCO on request.

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

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

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

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

Submit a signed original and one copy of form FAM-27, Claim for Payment. **To expedite the payment process, please sign the FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

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

If delivered by  
Other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

### **16. Retention of Claiming Instructions**

The revised claiming instructions in this package have been arranged in alphabetical order by program name. This Manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO's Web site located at [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html).

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

### **17. Retention of Claim Records and Supporting Documentation**

Pursuant to Government Code Section 17558.5, (a), a reimbursement claim for actual costs filed by SD's is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit will commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit was commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.



**JOHN CHIANG**  
**California State Controller**  
Division of Accounting and Reporting

February 15, 2011

TO: COUNTY SUPERINTENDENTS OF SCHOOLS  
SUPERINTENDENTS OF SCHOOL DISTRICTS

RE: Notification of Truancy, Program 48  
Rate Change for 2009-10 Fiscal Year

The claiming instructions for the Notification of Truancy mandate reimbursement program contains a unit cost rate to calculate the reimbursement amount. The unit cost rate included on Form 1 of the claiming instructions for the 2009-10 fiscal year was erroneously calculated as \$17.66 and posted to the State Controller's web site in December of 2010. The Form 1 was amended with the correct rate of \$17.87 and was re-posted on February 7, 2011.

If a claim has already been filed for fiscal year 2009-10 using the erroneous rate, the claim will be adjusted by the State Controller's Office to reflect the increase and a copy will be mailed to you. If you did not file a 2009-10 claim due to the inability to meet the \$1,001 threshold, but are now able to meet it, you may file a claim until March 15, 2011; no late penalty will be imposed. The updated forms for this program are now available online at the SCO's web site: [http://www.sco.ca.gov/ard\\_mancost\\_claim\\_instruct.html](http://www.sco.ca.gov/ard_mancost_claim_instruct.html).

We apologize for any inconvenience this may have caused. Questions regarding this program may be e-mailed to [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov) or you may call the Local Reimbursements Section at (916) 324-5729.

Sincerely,

*(Original Signed By)*

JILL KANEMASU, Chief  
Bureau of Payments

JL/AL/tb

OFFICE OF THE STATE CONTROLLER  
STATE MANDATED COST CLAIMING INSTRUCTIONS NO. 2008-03  
NOTIFICATION OF TRUANCY

APRIL 4, 2008

Revised October 15, 2010

In accordance with Government Code (GC) Section 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of state mandated cost programs. The following are claiming instructions and forms that eligible claimants will use for filing claims for the Notification of Truancy (NOT) program. These claiming instructions are issued subsequent to adoption of the program's amended Parameters and Guidelines (P's & G's) by the Commission on State Mandates (Commission).

On January 31, 2008, the Commission adopted the attached amended P's and G's for NOT, which is effective July 1, 2006, and are included as an integral part of the claiming instructions.

**Limitations and Exceptions**

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to Government Code Section 17581.5.

**Eligible Claimants**

Except for community colleges, any school district or county office of education as defined in GC Section 17519 that incurs increased costs as a result of this mandate is eligible to claim reimbursement.

**Filing Deadlines**

**A. Reimbursement Claims**

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a school district for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim.

An actual claim may be filed by February 15 following the fiscal year in which costs were incurred. Claims for fiscal year 2009-10 will be accepted without penalty if postmarked or delivered on or before **February 15, 2011. Claims filed more than one year after the deadline will not be accepted.**

**B. Late Penalty**

**1. Initial Claims**

Late initial claims are assessed a late penalty of 10% of the total amount of the initial claims without limitation.

## **2. Annual Reimbursement Claims**

Annual reimbursement claims must be filed by February 15 of the following fiscal year in which costs were incurred or the claims will be reduced by a late penalty.

Late annual reimbursement claims are assessed a late penalty of 10% of the claim amount; \$10,000 maximum penalty.

### **Minimum Claim Cost**

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

### **Reimbursement of Claims**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure Section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

### **Audit of Costs**

All claims submitted to the SCO are reviewed to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with SCO's claiming instructions and the P's & G's adopted by the Commission. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the activity adjusted, the amount

adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC Section 17558.5, Subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

### **Retention of Claim Documentation**

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. If no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

### **Address for Filing Claims**

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

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

If delivered by  
other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

Mandated costs claiming instructions and forms are available online at the SCO's Web site: [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html). If you have any questions, call the Local Reimbursements Section at (916) 324-5729 or e-mail [LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov).

Adopted: 8/27/87  
Amended: 7/28/88  
Amended: 7/22/93  
Amended: 1/31/08  
Amended: 5/27/10

**Amendment to Parameters and Guidelines  
as Directed by the Legislature**

*Statutes 2007, Chapter 69 (AB 1698)*

Education Code Section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

Statutes 1995, Chapter 19

*Notification of Truancy*

05-PGA-56 (07-PGA-01; 4133)

Effective Date: Beginning with Claims Filed for the  
July 1, 2006 – June 30, 2007 Period of Reimbursement

I. BACKGROUND AND SUMMARY OF MANDATE

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

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

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on n three (3) occasions in one school year, or any combination thereof. (Definition from Ed. Code, § 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.)

Upon a student's initial classification as a truant, the school must perform the requirements mandated by Education Code section 48260.5 as enacted by Statutes 1983, chapter 498 and amended by Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.

Board of Control Decision

On November 29, 1984, the State Board of Control determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, constitutes a

state mandated program because it requires an increased level of service by requiring specified notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

Amendment to Parameters and Guidelines

The Legislature directed the Commission on State Mandates to revise the parameters and guidelines to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, chapter 1023, and Statutes 1995, chapter 19, effective July 1, 2006. (Stats., 2007, ch. 69 (AB 1698).)

II. ELIGIBLE CLAIMANTS

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

III. PERIOD OF REIMBURSEMENT

The amendments to the parameters and guidelines adopted on January 31, 2008 are effective July 1, 2006.

IV. REIMBURSABLE COSTS

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

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

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping to provide parents/guardians with the following required information upon a pupil's initial classification as a truant:

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

C. Uniform Cost Allowance

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

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



D. Unique Costs

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

V. CLAIM PREPARATION

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

A. Uniform Cost Allowance Reimbursement

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

B. Recognized Unique Costs

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

If and when the Commission recognizes any unique circumstances which can cause the school district to incur additional reasonable costs to implement this mandated program, these unique implementation costs will be reimbursed for specified fiscal years in addition to the uniform cost allowance.

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>1</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

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

A. Uniform Allowance Reimbursement

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

B. Reimbursement of Unique Costs

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

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the uniform cost allowance and actual cost reimbursement for unique circumstances claimed. In addition, reimbursement for this mandated

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<sup>1</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

program received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

IX. REQUIRED CERTIFICATION

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

<p><b>NOTIFICATION OF TRUANCY</b></p> <p><b>CLAIM FOR PAYMENT</b></p>	<p><b>For State Controller Use Only</b></p> <p>(19) Program Number 00048 (20) Date Filed (21) LRS Input</p>	<p><b>PROGRAM</b></p> <p style="font-size: 2em;"><b>048</b></p>
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(01) Claimant Identification Number		<b>Reimbursement Claim Data</b>	
(02) Claimant Name		(22) FORM-1, (03)	
County of Location		(23) FORM-1, (04)	
Street Address or P.O. Box	Suite	(24) FORM-1, (06)	
City	State	Zip Code	(25) FORM-1, (07)
		<b>Type of Claim</b>	(26)
	(03)	(09) Reimbursement <input type="checkbox"/>	(27)
	(04)	(10) Combined <input type="checkbox"/>	(28)
	(05)	(11) Amended <input type="checkbox"/>	(29)
<b>Fiscal Year of Cost</b>	(06)	(12)	(30)
<b>Total Claimed Amount</b>	(07)	(13)	(31)
Less: <b>10% Late Penalty</b> (refer to attached Instructions)		(14)	(32)
Less: <b>Prior Claim Payment Received</b>		(15)	(33)
<b>Net Claimed Amount</b>		(16)	(34)
<b>Due from State</b>	(08)	(17)	(35)
<b>Due to State</b>		(18)	(36)

**(37) CERTIFICATION OF CLAIM**

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the school district or county office of education 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 Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.

I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received, for reimbursement of costs claimed herein; claimed costs are for a new program or increased level of services of an existing program; and claimed amounts do not include charter school costs, either directly or through a third party. 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 amount for this reimbursement is hereby claimed from the State for payment of 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 Signed \_\_\_\_\_

Telephone Number \_\_\_\_\_

E-mail Address \_\_\_\_\_

Type or Print Name and Title of Authorized Signatory \_\_\_\_\_

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(38) Name of Agency Contact Person for Claim \_\_\_\_\_ Telephone Number \_\_\_\_\_

E-mail Address \_\_\_\_\_

Name of Consulting Firm / Claim Preparer \_\_\_\_\_ Telephone Number \_\_\_\_\_

E-mail Address \_\_\_\_\_

**PROGRAM**  
**048**

**NOTIFICATION OF TRUANCY**  
**CLAIM FOR PAYMENT**  
**INSTRUCTIONS**

**FORM**  
**FAM-27**

- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown in the attached Form-1 line (08). The total claimed amount must exceed \$1,000.
- (14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim is timely filed. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
  - Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form-1, (03), means the information is located on form Form-1, line (03). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, telephone number and E-mail address. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and E-mail address of the agency contact person for the claim. If claim is prepared by external consultant, type or print the name of the consulting firm, telephone number, and e-mail address.

**SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS 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 700**  
**Sacramento, CA 95816**

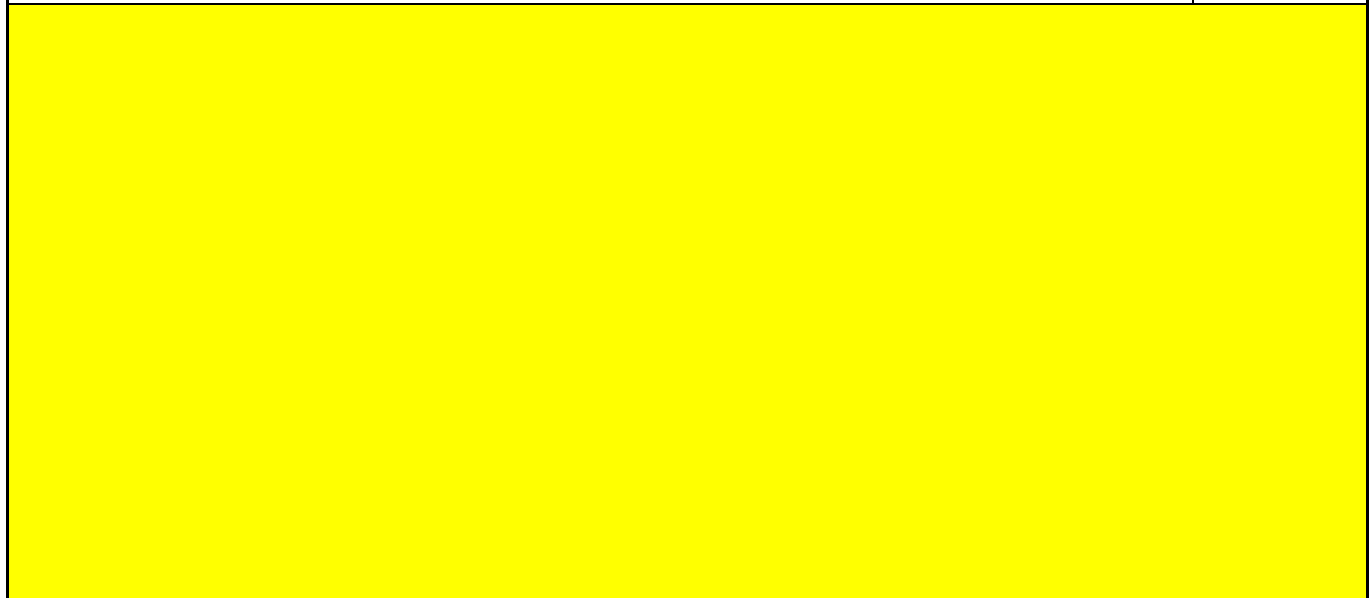
<b>PROGRAM</b> <b>048</b>	<b>NOTIFICATION OF TRUANCY</b> <b>CLAIM SUMMARY</b>	<b>FORM</b> <b>1</b>
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(01) Claimant	(02) Fiscal Year  ___ / ___
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**Claim Statistics**

(03) Number of initial truant notifications	
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(04) Unit Cost	[\$17.87 for fiscal year 2009-10]	
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(05) Total Costs	[Line (03) x line (04)]	
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**Cost Reduction**

(06) Less: Offsetting Savings	
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(07) Less: Other Reimbursements	
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(08) Total Claimed Amount	[Line (05) - {line (06) + line (07)}]	
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**PROGRAM  
048****NOTIFICATION OF TRUANCY  
CLAIM SUMMARY  
INSTRUCTIONS****FORM  
1**

- (01) Enter the name of the claimant. If more than one department has incurred costs for this mandate, give the name of each department. A Form-1 should be completed for each department.
- (02) Enter the fiscal year of costs.
- (03) Enter the number of initial truant notifications that were sent during the fiscal year of claim, upon the students' initial classification of truancy.
- (04) The unit cost rate for fiscal year 2009-10 is \$17.87 per initial notification. This unit cost rate will be updated annually in the Annual Revisions for Schools.
- (05) Multiply line (03), the number of truant notifications by line (04), the unit cost rate.
- (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 including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (08) Total Claimed Amount. From Total Costs, line (05), subtract the sum of Offsetting Savings, line (06), and Other Reimbursements, line (07). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.

## DEPARTMENT OF PERSONNEL ADMINISTRATION RULES

### Moving and Relocation Expenses

Effective January 1, 2010

#### 599.714.1 Scope

(a) Whenever a permanent state officer or employee is required by any appointing power because of a change in assignment promotion or other reason related to his/her duties, to change his/her place of residence, such officer, agent or employee shall receive reimbursement of his/her actual and necessary moving and relocation expenses incurred by him/her both before and after and by reason of such change of residence, subject to the provisions and limitations of this article.

(b) For the purposes of this article, a move occurs on the official reporting date to the new headquarters, and when a change in residence is reasonable to be required. Relocation shall be paid, when the following conditions are met:

(1) The officer's or employees officially designated headquarters is changed for the advantage of the State, which includes the following:

(A) A promotion offered by any appointing authority, not including those movements that the employee could make through transfer, reinstatement, or reemployment eligibility; or

(B) An involuntary transfer initiated by and at the discretion of the appointing authority,

(C) Any involuntary transfer required to affect a mandatory reinstatement following:

(I) Termination of a career executive or exempt appointment

(II) Leave of absence

(III) Rejection from probation

(D) Any involuntary transfer required to affect a mandatory reinstatement following the expiration or involuntary termination of a temporary appointment, limited term appointment, or training and development assignment when:

(I) the employee did not relocate to accept the appointment or assignment, or

(II) the employee did relocate, at State expense, to accept the appointment or assignment

(2) The move must be a minimum of 50 miles plus the number of miles between the old residence and the old headquarters.

(3) Relocations that meet the above criteria will be fully reimbursed to the extent and limitations in this article.

(c) A change of residence is not deemed reasonable to be required for voluntary transfers or permissive reinstatements, with or without a salary increase, in response to general requests which specify that moving and relocation expenses will not be paid, or for any non-promotional transfer which is primarily for the benefit of the officer or employee.

(d) When an appointment does not meet the criteria in (a) and (b) the appointing power may, at his/her discretion, determine in advance that it is in the best interest of the State to reimburse all or part of the actual reasonable and necessary relocation expenses provided in this article as an incentive to recruit employees to positions that are designated by the appointing power as difficult to fill or because of outstanding qualifications of the appointee, or due to unusual and unavoidable hardship to the employee by reason of the change of residence.

(1) Relocations that meet this criteria shall be reimbursed only for the items in this article specifically authorized by the appointing power, and may be subject to further limitations designated by the appointing power.



(2) Upon determination that any reimbursement will be made, the appointing power shall:

(A) Determine which provisions will apply to the relocation and establish any additional limitations to those provisions such as dollar limits, weight limits, or time limits.

(B) Notify the employee in writing, of specific allowable reimbursements prior to the move.

(e) Requirements and limitations specified in this article may not be waived or exceeded by the appointing power.

(f) Unauthorized relocation expenses and relocation expenses incurred prior to receipt of a written notice of allowable relocation expenses are the responsibility of the employee.

#### **599.715.1 Reimbursement for Miscellaneous Expenses-Excluded Employees**

An officer or employee who is required to change his/her place of residence according to Section 599.714.1 may receive reimbursement for up to \$200 for miscellaneous expenses upon submittal of documentation of the payment of all such expenses and certification that the expenses were related to dissolution to the old household and/or the establishment of a new household and were not otherwise reimbursed.

(a) Reimbursement for the installation and/or connection of appliances or antennas purchased after the change of residence shall be allowed provided no claim is made for installation and/or connection of a similar item in the movement of household goods, and installation and/or connection occurs within sixty days of the establishment of a new residence.

(b) Deposits are not reimbursable.

NOTE: Authority cited: Sections 19815.4(d), 19816 and 19820, Government Code. Reference: Section 19841, Government Code.

#### **599.716.1 Reimbursement for Sale of a Residence**

(a) Whenever an officer or employee is required, as defined in Section 599.714, to change his/her officially designated headquarter and such change requires the settlement of a lease on the employee's old residence, the officer or employee shall receive the actual and necessary costs of settlement of the unexpired lease to a maximum of one year.

(b) Reimbursement shall not be allow if it is determined that the officer or employee knew or reasonably should have known that a transfer according to Section 599.714 was imminent before entering into a lease agreement.

(c) Claims for settlement of a lease shall be documented and itemized and submitted within six months following the new reporting date except that the Director of the Department of Personnel Administration may grant an extension of not more than three months upon receipt of evidence warranting such extension prior to the expiration of the six-months period.

(1) The claim may be a signed agreement between the officer or employee and the lessor or it may be made unilaterally by the officer or employee.

(2) In no event shall the final settlement by the State exceed one year's rent nor shall it include any costs, deposits or fees.

#### **599.717.1 Settlement of a Lease-Excluded Employee**

(a) Whenever an officer or employee is required, as defined by Section 599.714.1(a) to change his/her place of residence and such change requires the settlement of a lease on the employee's old residence, the officer or employee shall receive the actual and necessary cost of settlement of the unexpired lease to a maximum of one year. In no event shall the lease settlement include any costs, deposits or fees.

(1) Reimbursement shall not be allowed if it is determined that the officer or employee knew or reasonably should have known that a transfer according to Section 599.714.1 was imminent before entering into a lease agreement.

(2) Claims for settlement of a lease shall include a lease agreement signed by both the employee and the lessor, and shall be itemized and submitted within nine months following the new reporting date.

(b) If an employee is required under 599.714.1(a) to change his/her place of residence and such notice to the employee is insufficient to provide the employee the notice period required by a month to month rental agreement, reimbursement may be claimed for the number of days penalty paid by the employee to a maximum of 30 calendar days.

(1) Reimbursement shall not be allowed for days that the employee failed to notify the landlord after notification by the employer of the reassignments.

(2) Claims shall be accompanied by a copy of the rental agreement, an itemized receipt for the penalty and the name and address of the individual or company to which the rental penalty has been paid.

(c) No reimbursement shall be made for forfeiture of cleaning or security deposits, or for repair, replacement, or damages of rental property.

#### **599.718.1 Expenses for Moving Household Effects**

(a) For the purpose of these regulations, household or personal effects include items such as furniture, clothing, musical instruments, household appliances, food, and other items that are usual or necessary for the maintenance of one household.

(b) Household effects shall not include items connected to a for profit business, items from another household, items that are permanently affixed to the property being vacated or items that would normally be discarded or recycled.

(c) At the discretion of the appointing power, other items may be considered household effects based on a consideration of the estimated cost of the move and a review of the items listed on the inventory. Expenses related to moving items other than those described in (a) that have not been approved by the appointing power shall be the responsibility of the employee.

NOTE: Authority cited: Sections 19815.4(d), 19816 and 19820, Government Code, Reference: Section 19841.

#### **599.719.1 Reimbursement for Moving Household Effects**

Reimbursement shall be allowed for the cost of moving an employee's effects either via commercial household goods carrier or by the employee. Reimbursements under this rule shall not exceed the cost of moving the employee's household goods from the old residence to the new headquarters plus 50 miles unless the appointing authority determines that a longer move is in the best interest of the State. Any additional expense associated with an interstate or intercountry move shall be approved in advance by the appointing power. No reimbursement will be allowed for the hiring of casual labor.

(a) When the employee retains a commercial mover, reimbursement for actual and necessary expenses incurred by a commercial mover under this article for the packing, insurance, one pickup, transportation, storage-in-transit (not including warehouse handling charges except when required by interstate tariffs), one delivery, unpacking, and installation at the new location of an employee's household effects shall be allowed subject to the following:

(1) Weight of household effects for which expenses may be reimbursed shall not exceed 5,000 kilograms (11,000 pounds).

(2) Duration of storage-in-transit for which charges may be reimbursed shall not exceed 60 calendar days unless a longer period of storage is approved in advance by the appointing authority based on hardship to the employee.

(3) Rates at which reimbursement is allowed shall not exceed the minimum rates, at the minimum declared valuation, established by the California Public Utilities Commission for household goods carriers, unless a higher rate is approved by the Department of General Services.

(4) Cost of insurance for which reimbursement is allowed shall not exceed the cost of insurance coverage at \$2.00 valuation for each pound of household effects shipped by household goods carrier.

(5) Claims for exceptions to the 11,000 pounds statutory limit will be considered by the appointing authority up to a maximum of 23,000 pounds, only when it has been determined that every reasonable effort had been made to conform to the limit. Exceptions to the number of pick-ups and deliveries may be made by the appointing power when it is reasonably necessary and in the best interest of the state.

(b) When the employee does not retain a commercial mover, reimbursement shall be allowed as follows for expenses related to the movement by the employee of his/her household effects in a truck or trailer.

(1) Rental of a truck or trailer from a commercial establishment. When not included in the truck rental rate, the cost of gasoline, rental of furniture, dolly, packing cartons and protective pads will be reimbursed. If the total costs exceed \$1,000 the claim must be accompanied by at least one written commercial rate quote. Reimbursement will be made at the rate (including gasoline) which results in the lowest cost; or

(2) Mileage reimbursement at the rates provided in Section or 599.631.1 (b) for noncommercial privately owned motor vehicles used in transporting the employee's household effects.

(3) Reimbursement for more than one trip by the method described in (b)(1) or (2) above may be allowed if the employee's agency has determined that the total cost would be less than the cost of movement by a commercial household goods carrier.

(c) If household goods are moved exclusively in the employee's personal vehicle, reimbursement for mileage may be claimed at the State mileage rate. No other mileage or moving expense shall be allowed.

(d) All claims for the reimbursement of the movement of household goods require receipts. Unless an exception is granted by the appointing authority, claims shall be submitted no later than 2 years and 60 days from the effective date of appointment or 15 days prior to voluntary separation, whichever is first.

### **599.720.1 Reimbursement for Movement of a Mobile Home**

For the movement of a mobile home, which contains the household effects of an officer or employee, and has served as the employee's residence at the previous location at the time of notification of relocation, reimbursement will be allowed as follows:

(a) Where transportation of the trailer coach is by a commercial mobile home transporter and receipts are submitted:

(1) For tolls, taxes, charges, fees, or permits fixed by the State or local authority required for the transportation or assembly or trailer coaches actually incurred by the employee.

(2) Charges for disassembly and assembly of the trailer, including but not limited to, disassembly and assembly of trailer, skirt, awnings, porch, the trailer coach itself, and other miscellaneous documented, itemized expenses related to the dissolution of the old household and/or the establishment of the new household, up to \$2,500 unless an exception is approved by the appointing power.

(3) Reimbursement will be allowed for the actual cost supported by voucher and installation of wheels and axles necessary to comply with the requirements of Chapter 5, Article 1 of the California Vehicle Code.

(4) Three competitive bids shall be obtained and reimbursement will be approved at the lowest bid. Based on information documenting the attempt to obtain three bids as provided by the employee, the appointing power may waive the three-bid requirement.

(5) Reimbursement received under this section precludes any additional reimbursement for miscellaneous expenses under Section 599.715.1.

(6) Movement of the trailer coach at rates exceeding the minimum rates established by the California Public Utilities Commission for mobile home transporters:

(7) Charges at P. U. C. minimum rates to obtain permits identified above:

(8) Storage-in-transit for up to 60 calendar days at P. U. C. minimum rates, unless an extension is approved by the appointing authority.

(b) Where transportation of the coach is by an employee, expenses may be claimed for a one-way trip by submitting gasoline receipts.

(c) Reimbursement will not be allowed for :

(1) Purchase of parts and materials except for those items necessary to comply with the minimum requirements of the California Administrative Code, Title 25, Chapter 5.

(2) Repairs including tires and tubes, and breakdown in transit.

(3) Costs associated with maintenance or repair of the trailer coach.

(4) Costs for separate shipment of household goods carrier unless that is determined to be the most economical method of transport.

(5) Costs associated with the movement or handling of permanent structures.

(d) All claims related to the movement of a trailer coach and the household goods therein require receipts and shall be submitted no later than 2 years and 60 days from the effective date of appointment, or 15 days prior to the voluntary separation, whichever is first. No extension will be granted.

#### **599.722.1 Relocation Subsistence Reimbursement and Mileage**

(a) If eligible under Section 599.714(a), an officer or employee shall be reimbursed for actual lodging, supported by a receipt, and meal and incidental expenses in accordance with and not to exceed the rate established in Section 599.619(a)(1) and (2), while locating a permanent residence at the new location. Employees who do not furnish receipts for lodging may be reimbursed for noncommercial meals and noncommercial lodging in accordance with 599.619(b). A permanent residence is typically an abode that is purchased, or rented on a monthly basis, of a type that provides long-term living accommodations, where any utilities are hooked up (gas, electric, cable, phone), and mail is delivered.

(1) Reimbursement may be claimed for up to 60 days, except an extension of up to 30 days may be granted when the Appointing power has determined in advance that the delay of change of residence is a result of unusual and unavoidable circumstances that are beyond the control of the officer or employee. The maximum reimbursement to be received by said officer, or employee shall not exceed the equivalent dollar amount of 60 days of full meals, incidentals, and receipted lodging.

(2) Interruptions in relocation caused by sick leave, vacation or other authorized leaves of absence shall be reimbursable at the option of the employee providing the employee remains at the new location and is actively seeking a permanent residence.

(3) The relocation subsistence reimbursement shall terminate immediately upon establishment of a permanent residence. The appointing power shall determine when a permanent residence has been established.

(4) Partial days shall count as full days for the purpose of computing the 60-day period.

(b) Upon approval of the Appointing Power, meals and/or lodging expenses, for up to fourteen days, arising from trips to the new location for the sole purpose of locating housing shall be reimbursed in accordance with Section 599.619(a)(1) and (2), or 599.619(c)(1) or 599.619(d). Claims for reimbursement of meals/lodging expenses in this item are limited to those incurred after receipt of formal written authorization for relocation and prior to the effective date of appointment.

The period claimed should be included in the computation of the 60-day relocation period.

(c) Reimbursement for travel from the old residence to the new headquarters may be claimed one way one time and shall not exceed the mileage rate allowed in 599.631(a).

Note: Authority cited: Section 3539.5, Government Code. Reference: Section 19841, Government Code.

#### **599.724.1 Payment of Claims for Moving and Relocation Expenses**

(a) The Department of Personnel Administration shall be responsible for prescribing any specific procedures necessary for effective and economical operation of this article. Claims shall be made on authorized forms, scheduled in the normal manner and submitted through regular channels to the State Controller for payment. All claims must be substantiated by invoices, receipts, or other evidence for each item claimed.

(b) Agencies may contract directly with the carrier for movement of household effects of officers and employees at state expense, subject to the same restrictions as if the shipment was arranged by the officer or employee and reimbursed by the State.

(c) If the change in residence results in the salary of the officer or employee being paid by a different appointing power, all allowable moving and relocation expenses shall be paid by the new appointing power except where the old appointing power agrees to pay all or part of the expenses allowable under this Article.

(d) Each department shall be responsible for insuring that upon notice to the employee of an impending move a copy of these rules shall be given to the officer or employee.

(e) When exceptions have been granted by an appointing authority, the written justification of those exceptions shall be maintained with the applicable claims.

### **599.619 Reimbursement for Meals and Lodging**

The employee on travel status shall be reimbursed actual expenses for receipted lodging, and for meals and incidentals as provided in this section, unless directed to travel under the provision of 599.624.1. Lodging and/or meals provided by the State or included in hotel expenses or conference fees, or in transportation costs such as airline tickets, or otherwise provided shall not be claimed for reimbursement. Snacks and continental breakfasts, such as rolls, juice and coffee, are not considered to be meals. The circumstances of travel will determine the rate allowed.

(a) Short-term Travel. Reimbursement for short-term subsistence will be authorized only when the traveler incurs expenses arising from the use of reasonable, moderately priced commercial lodging and meal establishments, such as hotels, motels, bed and breakfast inns, campgrounds, restaurants, cafes, diners, etc., that cater to the general public. Employees who stay with friends or relatives may claim meals only in accordance with the rates and time frames set forth below. Lodging receipts are required. The short-term rate is intended for trips of such duration that weekly or monthly rates are not obtainable and will be discontinued after the 30th consecutive day assigned to one location unless an extension has been previously documented and approved by the appointing power. In extending short-term travel, the appointing power shall consider the expected remaining length of travel assignment.

(1) In computing reimbursement for continuous short-term travel of more than 24 hours and less than 31 consecutive days, the employee will be reimbursed for actual costs up to the maximum allowed for each meal, incidental, and lodging expense for each complete 24 hours of travel, beginning with the traveler's time of departure and return, as follows:

(A) On the first day of travel on a trip of 24 hours or more:

Trip begins at or before 6am:	breakfast may be claimed on the first day
Trip begins at or before 11am:	lunch may be claimed on the first day
Trip begins at or before 5pm:	dinner may be claimed on the first day

(B) On the fractional day of travel at the end of the trip of more than 24 hours:

Trip ends at 8 am:	breakfast may be claimed
Trip ends at or after 2pm:	lunch may be claimed
Trip ends at or after 7pm:	dinner may be claimed

If the fractional day includes an overnight stay, receipted lodging may be claimed. No meal or lodging expense may be claimed or reimbursed more than once on any given date or during any 24-hour period.

(C) Reimbursement shall be for actual expenses, subject to the following maximum rates:

#### **Meals:**

Breakfast	\$ 6.00
Lunch	\$10.00
Dinner	\$18.00
Incidentals	\$ 6.00

Receipts for meals must be maintained by the employee as substantiation that the amount claimed was not in excess of the amount of actual expense. The term incidentals includes but is not limited to expenses for laundry, cleaning and pressing of clothing, and fees and tips for services, such as for porters and baggage carriers. It does not include taxicab fares, lodging taxes or the costs of telegrams or telephone calls.

## Lodging

Statewide, with receipts. Actual up to \$84.00 plus tax

When employees are required to do business and obtain lodging in the Counties of Los Angeles and San Diego and an actual lodging up to \$110.00 plus tax.

When employees are required to do business and obtain lodging in the Counties of Alameda, San Francisco, San Mateo and Santa Clara, actual lodging up to \$140.00 plus tax.

If lodging receipts are not submitted, reimbursement will be for actual expenses for meals/incidentals only at the rates and time frames set forth in this section.

(2) In computing reimbursement for continuous travel of less than 24 hours, actual expenses, up to the maximums in (C) above, will be reimbursed for breakfast and/or dinner and/or lodging in accordance with the following time frames:

Travel begins at or before 6 a.m. and ends at or after 9 a.m.: Breakfast may be claimed

Travel begins at or before 4 p.m. and ends at or after 7 p.m.: Dinner may be claimed

If the trip of less than 24 hours includes an overnight stay, receipted lodging may be claimed.

No lunch or incidentals may be reimbursed on travel of less than 24 hours.

(b) Long-term Travel. Reimbursement for long-term meals and receipted lodging will be authorized when the traveler incurs expenses in one location comparable to those arising from the use of commercial establishments catering to the long-term visitor. Meals and/or lodging provided by the State shall not be claimed for reimbursement. With approval of the appointing power and upon meeting the criteria in (3) below, an employee on long-term field assignment who is living at the long-term location may claim either:

(1) \$24.00 for meals and incidentals and up to \$24.00 for receipted lodging for travel of 12 hours up to 24 hours; either \$24.00 for meals or up to \$24.00 for receipted lodging for travel less than 12 hours, or

(2) Reimbursement for actual individual expense, substantiated by receipts for lodging, utility, gas, and electricity, up to a maximum of \$1,130.00 per calendar month while on a long term assignment, and \$10.00 for incidentals, without receipts, for each period of 12 to 24 hours; \$5.00 for meals and incidentals for periods of less than 12 hours at the long term location.

(3) To claim expenses under either (1) or (2) above, the employee must meet the following criteria:

(A) The employee continues to maintain a permanent residence at the primary headquarters and

(B) The permanent residence is occupied by the employee's dependents, or

(C) The permanent residence is maintained at a net expense to the employee exceeding \$200 per month.

(D) The employee must submit substantiating evidence of these conditions to the appointing power in accordance with its requirements.

(4) Employees who do not meet the criteria to claim (1) or (2) above may claim \$12.00 for meals and incidentals and \$12.00 for receipted lodging for every 12 to 24 hours at the long term location; \$12.00 for meals or \$12.00 receipted lodging for periods of less than 12 hours at the long term location.

(5) With the approval of the appointing power, the reimbursement of long term lodging may continue when the employee is away from the long term location on short term business travel or other absences from the location as approved by the appointing authority.

(c) Out-of-State Travel. Out-of-State travel is any kind of travel outside the State of California for the purpose of conducting business outside the State of California. For short-term out-of-state travel, employees will be reimbursed for actual lodging expenses, supported by receipt, and will be reimbursed for meal and incidental expenses as defined in section 599.619(a). Failure to furnish lodging receipts will limit reimbursement to meals only at the rates specified in (a). Long-term out-of-

state travel will be reimbursed according to Section 599.619(c).

(d) Out-of-Country Travel. For short-term out-of-country travel, employees will be reimbursed for actual lodging expenses, supported by a receipt, and will be reimbursed for actual meal and incidental expenses subject to maximum rates in accordance with the published Government meal and incidental rates for foreign travel for the dates of travel. Failure to furnish lodging receipts will limit reimbursement to meals only in accordance with the published Government meals and incidental rates for foreign travel. Long-term out-of-country travel will be reimbursed according to Section 599.619(a) through (c).

(e) Exceptions to reimburse in excess of the maximum lodging rate cited in (a) of this rule may be granted by the Appointing Power only in an emergency, or when there is no lodging available at the State maximum rate or when it is cost effective. The Appointing Power shall document the reasons for each exception and shall keep this documentation on file for three calendar years from the date of the exception.

NOTE: Authority cited; sections 3539.5, 19815.4(d), 19816 and 19820, Government Code. Reference: Sections 3527(b) and 11030, Government Code.

### **599.631 TRANSPORTATION BY PRIVATELY OWNED AUTOMOBILE**

(a) Where the employee is authorized to use a privately owned automobile on official state business the reimbursement rate shall be up to 50 cents per mile. Claims for reimbursement for private vehicle expenses must include the vehicle license number and the name of each state officer, employee, or board, commission, or authority, member transported on the trip. No reimbursement of transportation expense shall be allowed any passenger in any vehicle operated by another state officer, employee, or member.

(1) Expenses arriving from travel between home and headquarters or garage shall not be allowed, except as provided in 599.626(d)(2) or 599.626.1(c), regardless of the employee's normal mode of transportation.

(2) When a trip is commenced or terminated at a claimant's home on a regularly scheduled work day, the distance traveled shall be computed from either his or her residence or headquarters, whichever shall result in the lesser distance except as provided in 599.626.1(c).

(3) However, if the employee commences or terminates travel on a regularly scheduled day off, mileage may be computed from his or her residence.

(b) Where the employee's use of a privately owned automobile is authorized for travel to or from a common carrier terminal, and the automobile is not parked at the terminal during the period of travel, the employee may claim double the number of miles between the terminal and the employee's headquarters of residence, whichever is less, at a rate defined in section 599.631(a), while the employee occupies the automobile for the distance between the terminal and his or her residence or headquarters. If the employee commences or terminates travel one hour before or after his/her regularly scheduled work day, or on a regularly scheduled day off, mileage may be computed from his/her residence.

(c) All ferry, bridge, or toll charges while on state business will be allowed with any required receipts.

(d) All necessary parking charges while on state business will be allowed, with any required receipts, for:

(1) Day parking on trips away from the headquarters office and employee's primary residence.

(2) Overnight parking on trips away from the headquarters and employee's primary residence, except that parking shall not be claimed if expense-free overnight parking is available.

(3) Day parking adjacent to either headquarters office, a temporary job site, or training site, but only if the employee had other reimbursable private or state automobile expenses for the same day. An employee may not prorate weekly or monthly parking fees.

(e) Gasoline, maintenance, and automobile repair expenses will not be allowed.

(f) The mileage reimbursement rates include the cost of maintaining liability insurance at the minimum amount prescribed by a law and collection insurance sufficient to cover the reasonable value of the automobile, less a deductible. When a privately owned automobile operated by a state officer, agent, or employee is damaged by collision or is otherwise accidentally damaged, reimbursement for repair or the deductible to a maximum of \$500.00 will be allowed if:

- (1) The damage occurred while the automobile was used on official business by permission or authorization of the employing agency; and
  - (2) The automobile was damaged through no fault of the state officer, agent, or employee; and
  - (3) The amount claimed is an actual loss to the state officer, agent, or employee, and is not recoverable directly from or through the insurance coverage of any party involved in the accident; and
  - (4) The loss claimed does not result from a decision of a state officer, agent, or employee not to maintain collision coverage; and
  - (5) The claim is processed in accordance with the procedures prescribed by the Department of Personnel Administration.
- (g) **Specialized Vehicles.** An employee with a physical disability who must operate a motor vehicle on official state business and who can operate only specially equipped or modified vehicles may claim a rate of 34 cents per mile without certification and up to 37 cents per mile with certification. Where travel is authorized to and from a common carrier terminal, as specified in section 599.631(b) the employee may compute the mileage as defined in Section 599.631(b). Supervisors approving these claims must determine the employee's need for the use of such vehicles.

### **AUTHORIZED RELOCATION EXPENSES**

Per Diem - Employees may claim up to 60 days while at the new location until a new permanent residence is found. Specific per diem allowance for excluded employee are attached. Extensions of the per diem may be granted by the Department of Personnel Administration if the employee suffers unusual hardship. Requests for extensions must be submitted to the Relocation Liaison, on a Std. 256 prior to the expiration of the 60 day period. The Relocation Liaison will review the Std. 256 for completeness then forward to the Department of Personnel Administration.

Shipment of Household Goods - The State will pay for the packing, transportation, insurance, storage-in-transit, unpacking and installation of employee's household effects. The employer will issue the relocating employee a "Moving Service Authorization" which the employee will give to any licensed mover. The Moving Service Authorization authorizes the mover to bill the State directly. There is no actual dollar limitation, (the State only pays minimum tariff rates), however there is an 11,000 pound weight limit. If the mover estimates the weight of the household goods to be more than 11,000 pounds, the employee should immediately submit a Std. 256 with the mover's estimate to the Relocation Liaison. The Department of Personnel Administration may approve excess weight provided the employee requests the exception in advance of the actual move.

The State will not pay for the shipment of the following prohibited items:

Automobiles other motor vehicles farm tractor, implements and equipment trailers with or without other property boats all animals, livestock, or pets belongings which are not the property of the immediate family of the officer or employee belongings related to commercial enterprises engaged in by the officer or employee firewood, fuels bricks, sand ceramic wall tile wire fence or other building materials wastepaper and rags.

Storage in Transit - The State will pay for the storage of household goods for up to 60 days. Storage is limited to 11,000 pounds of household goods unless the excess weight has been previously approved by DPA. The storage company should bill the State directly using the authorization of the Moving Service Authorization. Miscellaneous items taken out of storage prior to the moving company delivering all household goods is not reimbursable and must be paid by the employee.

Sale of Residence - The State will pay for certain costs associated with the sale of the employee's dwelling which was his/her residence at the time of notification of the transfer.

Reimbursable costs are:

Brokerage Commission, Escrow fees, Title insurance, Prepayment penalties, Local taxes, charges or fees required to consummate the sale. Miscellaneous sellers costs up to \$200.00.

Nonreimbursable Costs are:

Seller's Points, Property tax, Repair work and re-inspection fees.

Excluded employees have two years from the reporting date at the new headquarters to submit a claim for



reimbursement of seller's costs. There is no extension of the time limit for Non-represented employees.

Settlement of a Lease - The State will pay for the settlement of a lease which was entered into prior to notification of the transfer. Claims for payment of the lease settlement must be submitted within 9 months from the reporting date at the new headquarters.

Movement of a Trailer Coach - The State will pay for the actual cost of transporting the mobile home to the new location plus up to \$2,500 for disassembly and assembly of the trailer. Request for reimbursement in excess of \$2,500 must be submitted to DPA on a Std. 256 prior to the move; approval will only be given for the lowest of three bids. Household goods must be shipped in the mobile home unless DPA approves a separate shipment.

Miscellaneous - There is a \$200.00 miscellaneous allowance with documentation and certification, which is intended to assist the employee in establishing the new household. This allowance should be used to pay utility installation fees, appliance hook-up fees and the like. It is appropriate to use this allowance for cable hook-up. This allowance may not be used to satisfy deposit requirements. The allowance may not be claimed if moving a mobile home; hook-up, etc., are included in the mobile home set-up charge.

Mileage - The employee may be reimbursed 50 cents per mile for one vehicle to make one-way trip between the old residence and the new residence effective January 1, 2010. Anything over locating cents is considered taxable income.

Private car mileage for the purpose of locating housing at the new location is not reimbursable.

EXPENSES INCURRED PRIOR TO THE OFFICIAL TRANSFER CANNOT BE CLAIMED.



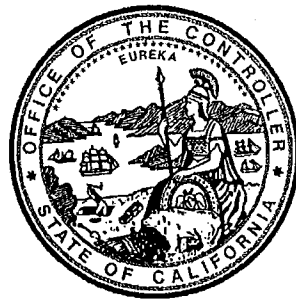
# **SAN JUAN UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2006, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

November 2011



**JOHN CHIANG**  
California State Controller

November 30, 2011

Lucinda Luttgen, President  
Board of Education  
San Juan Unified School District  
3738 Walnut Avenue  
Carmichael, CA 95608-0477

Dear Ms. Luttgen:

The State Controller's Office audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

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

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/vb

cc: Glynn Thompson, Interim Superintendent  
San Juan Unified School District  
Kent Stephens, Chief Financial Officer  
San Juan Unified School District  
Fil Duldulao, Director of Accounting Services  
San Juan Unified School District  
David W. Gordon, Superintendent of Schools  
Sacramento County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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

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

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

## **Conclusion**

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the San Juan Unified School District claimed \$1,192,046 for costs of the Notification of Truancy Program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.



**Views of  
Responsible  
Official**

We issued a draft audit report on October 25, 2011. Kent Stephens, Chief Financial Officer, responded by letter dated November 2, 2011 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

November 30, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>			
Number of initial truancy notifications	18,020	15,927	(2,093)
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15
Total program costs <sup>2</sup>	<u>\$ 291,023</u>	257,221	<u>\$ (33,802)</u>
Less amount paid by the State		(54,550)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,671</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,534	16,177	(1,357)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs <sup>2</sup>	<u>\$ 302,988</u>	279,539	<u>\$ (23,449)</u>
Less amount paid by the State		(9)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 279,530</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	16,382	14,851	(1,531)
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Total program costs <sup>2</sup>	<u>\$ 290,617</u>	263,457	<u>\$ (27,160)</u>
Less amount paid by the State		(65,849)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 197,608</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,203	16,021	(1,182)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs <sup>2</sup>	<u>\$ 307,418</u>	286,296	<u>\$ (21,122)</u>
Less amount paid by the State		(60,382)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 225,914</u>	
<u>Summary: July 1, 2006, through June 30, 2010</u>			
Total program costs	<u>\$ 1,192,046</u>	\$ 1,086,513	<u>\$ (105,533)</u>
Less amount paid by the State		(180,790)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 905,723</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Calculation differences due to rounding.

# Finding and Recommendation

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

The district claimed non-reimbursable initial truancy notifications totaling \$105,533. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district claimed. We used statistical samples so that we could project each sample's results to the applicable population. The district used either daily attendance accounting or period attendance accounting, depending on the student's grade level. Therefore, we stratified each fiscal year's population into two groups.

The district's attendance records show that some of its initial truancy notifications claimed are non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Fewer than three while between ages 6 and 18	(20)	(16)	(22)	(1)
Fewer than three total	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>(2)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(26)</u>	<u>(19)</u>	<u>(24)</u>	<u>(3)</u>
Period attendance accounting:				
Fewer than three while between ages 6 and 18	(9)	(5)	(4)	(9)
Fewer than three total	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(5)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(9)</u>	<u>(5)</u>	<u>(5)</u>	<u>(14)</u>

The following table summarizes the audit adjustment based on the number of unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Daily attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(26)	(19)	(24)	(3)	
Statistical sample size	÷ 148	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(17.57)%	(12.93)%	(16.33)%	(2.05)%	
Population sampled	× 8,680	× 8,001	× 7,545	× 6,006	
Extrapolated number of unallowable initial truancy notifications	(1,525)	(1,035)	(1,232)	(123)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, daily attendance accounting <sup>1</sup>	\$ (24,629)	\$ (17,885)	\$ (21,856)	\$ (2,198)	\$ (66,568)
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(9)	(5)	(5)	(14)	
Statistical sample size	÷ 148	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(6.08)%	(3.38)%	(3.38)%	(9.46)%	
Population sampled	× 9,340	× 9,533	× 8,837	× 11,197	
Extrapolated number of unallowable initial truancy notifications	(568)	(322)	(299)	(1,059)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, period attendance accounting <sup>1</sup>	\$ (9,173)	\$ (5,564)	\$ (5,304)	\$ (18,924)	(38,965)
Audit adjustment	\$ (33,802)	\$ (23,449)	\$ (27,160)	\$ (21,122)	\$ (105,533)

<sup>1</sup> Calculation difference due to rounding.

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

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

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

The program's parameters and guidelines state:

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

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### District's Response

#### Audit by sampling

. . . Annual sample sizes of 146 to 148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

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

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. . . .

#### Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

#### Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. . . .

### SCO's Comment

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

#### **Audit by Sampling**

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

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

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

The district alleges that this audit *may have potential* factual problems with the sample and conclusions that *may not* be representative of the universe. The district provided no specific, factual documentation to support its allegations.

#### **Number of Absences Required**

The district states, ". . . 19 [notifications] were deemed unallowable because the students had only three *documented* absences during the school year. . . ." Although the district conceded this portion of the audit adjustment, the district's comment is factually inaccurate. From the statistical samples, we identified 19 unallowable notifications because the district documented *fewer than* three unexcused absences or tardiness occurrences during the school year.

<sup>1</sup> Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

**Age of Student**

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

**OTHER ISSUES**

The district’s response included other comments related to the mandated cost claims. The district’s comments and SCO’s responses are presented below.

**Statute of limitations**

District’s Response

... The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. . . .

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 [Statutes of 2004, Chapter 890, Section 18] because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

SCO’s Comment

Our finding and recommendation is unchanged. The district infers that the audit did not commence until the entrance conference date of February 15, 2011. We disagree.

The SCO initiated the audit on January 24, 2011, by telephone call to Michael Dencavage, the district’s former Chief Financial Officer. On the same date, we requested supporting documentation from the district and the district responded that it was retrieving the requested documentation. Therefore, the SCO initiated the audit within three years of the date that the district filed its claim.

**Management representation letter**

District’s Response

The District will not be providing the requested written management representation letter. . . .

SCO’s Comment

Our finding and recommendation is unchanged. We modified our audit report to disclose that the district declined to provide the written representation letter that is recommended by generally accepted government auditing standards.

**Public records  
request**

District's Response

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

SCO's Comment

The SCO responded to the district's request by separate letter dated November 7, 2011.

The district's request is misleading. The district infers that all unallowable initial truancy notifications were notifications "sent to students whose attendance is otherwise required by law."

Of the 105 unallowable notifications identified in our statistical sample results, only 19 notifications are applicable to students whose absences occurred during periods when their attendance was required by law. The district sent the remaining notifications for students who accumulated absences during periods that the students' attendance was not mandatory pursuant to Education Code section 48200.



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

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## San Juan Unified School District

### *Budget Services*

3738 Walnut Ave., Carmichael, CA 95608  
P. O. Box 477, Carmichael, CA 95609-0477  
Telephone (916) 971-7678 or Fax (916) 971-7255  
Internet Web Site: [www.sanjuan.edu](http://www.sanjuan.edu)

Glynn Thompson, Interim Superintendent of Schools

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 2, 2011

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

Re: Chapter 498, Statutes of 1983  
Notification of Truancy  
Fiscal Years: 2006-07, 2007-08, 2008-09, and 2009-10  
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated October 25, 2011, that transmitted the draft audit report of the District's Notification of Truancy mandate annual reimbursement claims for the period of July 1, 2006 through June 30, 2010.

The findings involve legal issues that are the subject of several incorrect reduction claims, including two filed by this District, still pending hearing by the Commission on State Mandates, and cannot be resolved for this audit without the findings from the Commission. Therefore, the District will be filing an incorrect reduction from this audit to preserve its rights.

#### **Finding - Non-reimbursable initial truancy notifications**

The District claimed \$1,192,046 for the four fiscal years that are the subject of this audit. The draft audit report concludes that \$105,533 is not allowable for the audit period.

#### Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the four fiscal years. Annual sample sizes of 146 to

148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

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

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

#### Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### **Statute of Limitations**

This is not an audit finding. The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended Section 17558.5, subdivision (a), to state:

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

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

#### **Management Representation Letter**

The District will not be providing the requested written management representation letter since it could be construed as a waiver of future appeal rights. The District did respond verbally to questions from the auditor related to internal control procedures, to the apparent satisfaction of the auditor since there are no audit findings stated for those issues.

#### **Public Records Request**

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

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

Sincerely,



Kent Stephens, Chief Financial Officer  
San Juan Unified School District

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

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

S11-MCC-014



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## 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

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### 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

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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.

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*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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<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>NOTIFICATION OF TRUANCY</b>	(19) Program Number 00048 (20) Date Filed ___ / ___ / ___ (21) LRS Input ___ / ___ / ___	048
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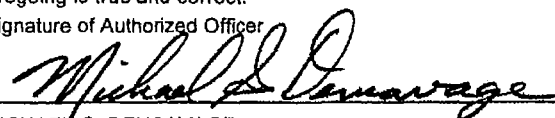
L A B E L  H E R E	(01) Claimant Identification Number <b>S34085</b>	<b>Reimbursement Claim Data</b>	
	(02) Claimant Name <b>SAN JUAN UNIFIED SD</b>	(22) NOT-1, (03)	18,020
	County of Location <b>SACRAMENTO</b>	(23)	
	Street Address or P.O. Box <b>3738 WALNUT AVE.</b>	(24)	
	City <b>CARMICHAEL</b>	State <b>CA</b>	Zip Code <b>95609-0477</b>

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
<b>Fiscal Year of Cost</b>	(06) <u>2007</u> / <u>2008</u>	(12) <u>2006</u> / <u>2007</u>	(30)
<b>Total Claimed Amount</b>	(07) \$ 291,023	(13) \$ 291,023	(31)
<b>Less: 10% Late Penalty, not to exceed \$10,000</b>		(14)	(32)
<b>Less: Prior Claim Payment Received</b>		(15)	(33)
<b>Net Claimed Amount</b>		(16) \$ 291,023	(34)
<b>Due from State</b>	(08) \$ 291,023	(17) \$ 291,023	(35)
<b>Due to State</b>		(18)	(36)

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

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

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

Signature of Authorized Officer	Date
	<u>2-14-2008</u>
MICHAEL G. DENCAVAGE	CHIEF FINANCIAL OFFICER
Type or Print Name	Title

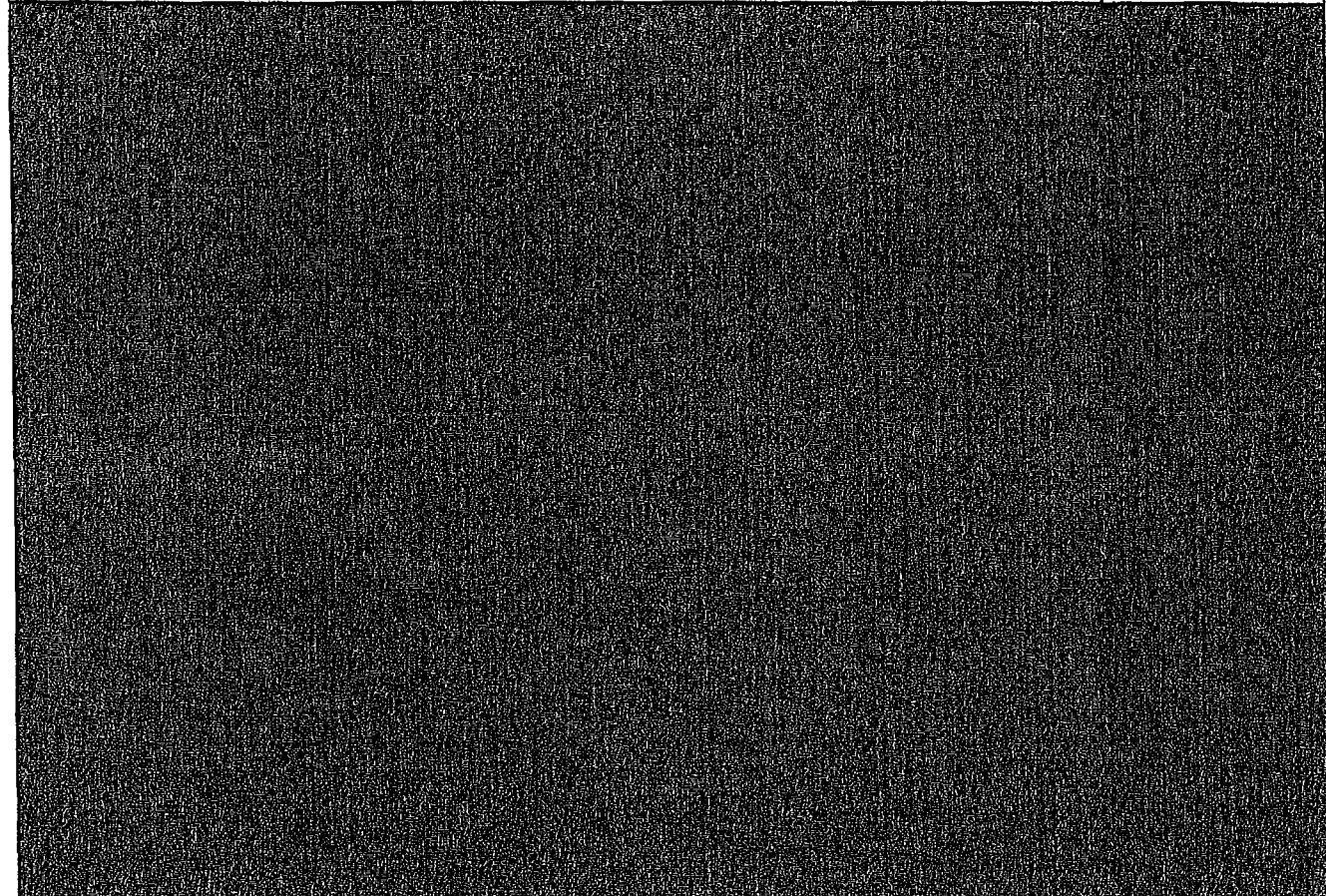
(38) Name of Contact Person for Claim	Telephone Number	( 916 ) 669-0888	Ext.
School Innovations & Advocacy	E-mail Address	scohelp@sia-us.com	

Program <b>048</b>	<b>NOTIFICATION OF TRUANCY CLAIM SUMMARY INSTRUCTIONS</b>	<b>FORM 1</b>
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(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2006 / 2007
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**Claim Statistics**

(03) Number of truant notifications	18,020
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<b>Cost</b>		
(04) Unit Cost per an initial truancy notification	[\$16.15 for the 2006/07 fiscal year]	16.15
(05) Total Costs:	[Line (03) x line(04)]	291,023
<b>Cost Reduction</b>		
(06) Less: Offsetting Savings, if applicable		
(07) Less: Other Reimbursements, if applicable		
(08) Total Claimed Amount:	{Line(05) - [Line(06) + line(07)]}	291,023

Revised 09/06

<b>MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY</b>	<b>FORM NOT-1A</b>
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(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2006 / 2007
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**Claim Statistics**

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

(a) Name of School	(d) Notifications
DISTRICT OFFICE	18,020
	18,020

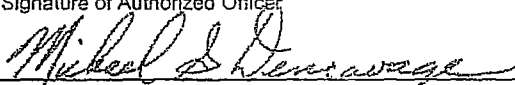
<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>NOTIFICATION OF TRUANCY</b>	(19) Program Number 00048 (20) Date Filed ___ / ___ / ___ (21) LRS Input ___ / ___ / ___	Program <b>048</b>
---	--	-----------------------

LABEL HERE	(01) Claimant Identification Number <b>S34085</b>		<b>Reimbursement Claim Data</b>	
	(02) Claimant Name <b>SAN JUAN UNIFIED SD</b>		(22) NOT-1, (03)	17,534
	County of Location <b>SACRAMENTO</b>		(23)	
	Street Address or P.O. Box <b>3738 WALNUT AVE.</b>		(24)	
	City <b>CARMICHAEL</b>	State <b>CA</b>	Zip Code <b>95609-0477</b>	(25)
	<b>Type of Claim</b>	<b>Estimated Claim</b>	<b>Reimbursement Claim</b>	(26)
		(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(27)
		(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)
		(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)
	Fiscal Year of Cost	(06) _____ / _____	(12) <b>2007 / 2008</b>	(30)
Total Claimed Amount	(07)	(13) \$ <b>302,988</b>	(31)	
Less: 10% Late Penalty, not to exceed \$10,000		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16) \$ <b>302,988</b>	(34)	
Due from State	(08)	(17) \$ <b>302,988</b>	(35)	
Due to State		(18)	(36)	

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

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

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

Signature of Authorized Officer	Date
	<u>2-11-2009</u>
MICHAEL G. DENCAVAGE	ASSOCIATE SUPERINTENDENT/CBO
Type or Print Name	Title

(38) Name of Contact Person for Claim	Telephone Number	( 916 ) 669-0888	Ext.
School Innovations & Advocacy	E-mail Address	scohelp@sia-us.com	

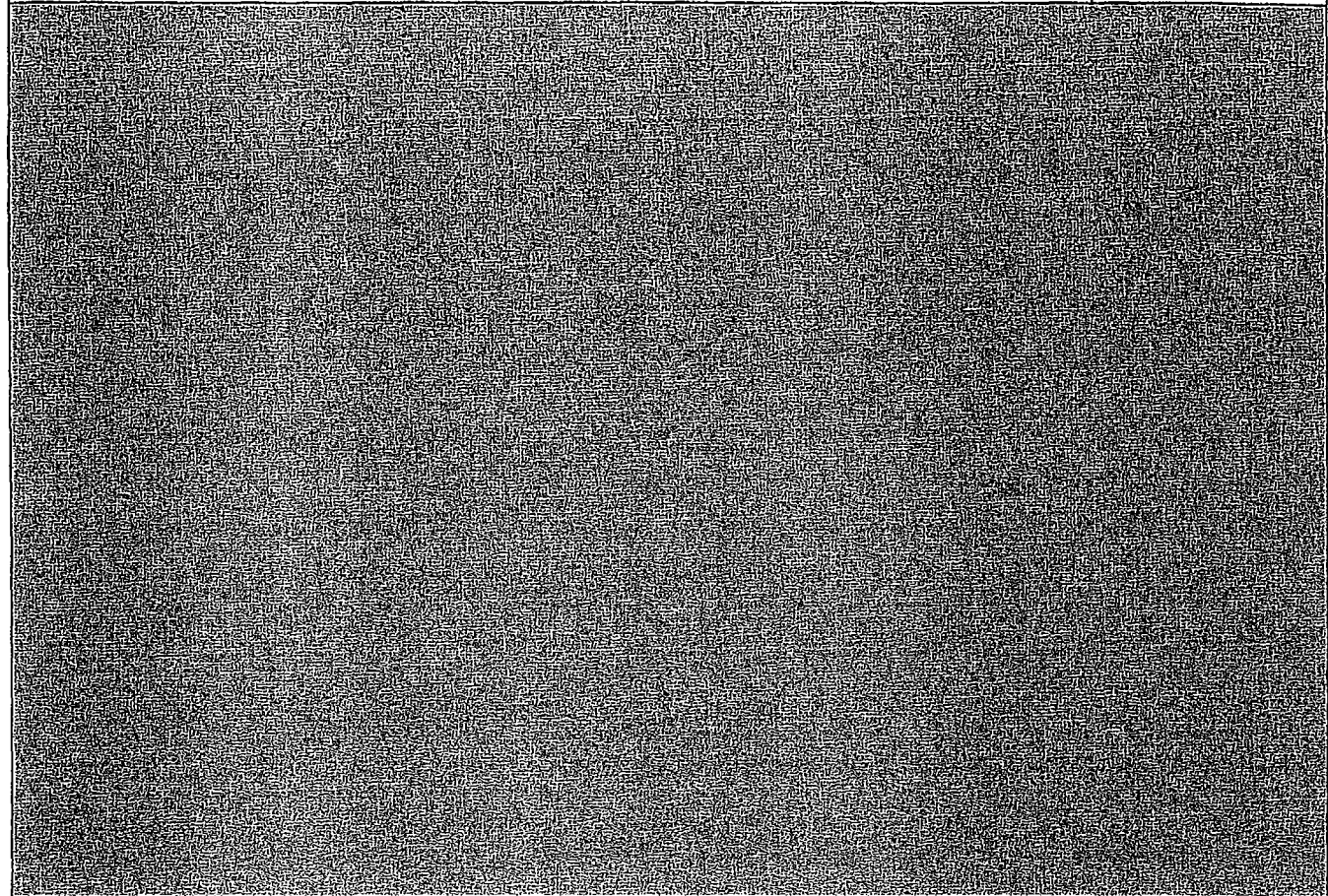


Program <b>048</b>	<b>NOTIFICATION OF TRUANCY CLAIM SUMMARY INSTRUCTIONS</b>	<b>FORM 1</b>
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(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2007 / 2008
---	--	-----------------------------

**Claim Statistics**

(03) Number of truant notifications	17,534
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<b>Cost</b>		
(04) Unit Cost per an initial truancy notification	[\$17.28 for the 2007/08 fiscal year]	17.28
(05) Total Costs:	[Line (03) x line(04)]	302,988
<b>Cost Reduction</b>		
(06) Less:	Offsetting Savings, if applicable	
(07) Less:	Other Reimbursements, if applicable	
(08) Total Claimed Amount:	{Line(05) - [Line(06) + line(07)]}	302,988

Revised 09/08

MANDATED COSTS NOTIFICATION OF TRUANCY CLAIM SUMMARY		FORM NOT-1A
(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year: 2007 / 2008
<b>Claim Statistics</b>		
(03) For each school in the district, enter the number of Notifications		
(a) Name of School	(d) Notifications	
DISTRICT OFFICE	17,534	
		17,534

<b>CLAIM FOR PAYMENT</b> Pursuant to Government Code Section 17561 <b>NOTIFICATION OF TRUANCY</b>		For State Controller Use Only (19) Program Number 00048 (20) Date Filed ___ / ___ / ___ (21) LRS Input ___ / ___ / ___	Program <span style="font-size: 2em; font-weight: bold;">048</span>
(01) Claimant Identification Number <b>S34085</b>		<b>Reimbursement Claim Data</b>	
(02) Claimant Name <b>SAN JUAN UNIFIED SD</b>		(22) FORM-1, (03)	16,382
County of Location <b>SACRAMENTO</b>		(23) FORM-1, (04)	17.74
Street Address or P.O. Box <b>3738 WALNUT AVE.</b>		(24) FORM-1, (06)	0
City <b>CARMICHAEL</b>		(25) FORM-1, (07)	0
State <b>CA</b>			
Zip Code <b>95608-0477</b>			
<b>Type of Claim</b>		(26)	
(03)	(09) Reimbursement <input checked="" type="checkbox"/>	(27)	
(04)	(10) Combined <input type="checkbox"/>	(28)	
(05)	(11) Amended <input type="checkbox"/>	(29)	
Fiscal Year of Cost (05) <b>2008 / 2009</b>		(30)	
Total Claimed Amount (07) <b>\$ 290,617</b>		(31)	
Less: 10% Late Penalty (refer to attached instructions)		(14)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16)	\$ 290,617 (34)
Due from State (05) <b>\$ 290,617</b>		(17)	(35)
Due to State		(18)	(36)
<b>(37) CERTIFICATION OF CLAIM</b> In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the school district or county office of education 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 Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.  I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received, for reimbursement of costs claimed herein; claimed costs are for a new program or increased level of services of an existing program; and claimed amounts do not include charter school costs, either directly or through a third party. 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 amount for this reimbursement is hereby claimed from the State for payment of 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 <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 60%;"> <p>MICHAEL DENCAVAGE / ASSOCIATE SUPERINTENDENT/CBO</p> </div> <div style="width: 35%;">                 Date Signed <u>2-10-2010</u>                  Telephone Number (916) 971-7238                  E-Mail Address mdencavage@sanjuan.edu             </div> </div>			
Type or Print Name and Title of Authorized Signatory (38) Name of Contact Person for Claim MICHAEL DENCAVAGE / ASSOCIATE SUPERINTENDENT/CBO Telephone Number (916) 971-7238 E-mail Address mdencavage@sanjuan.edu			
Name of Consulting Firm / Claim Preparer School Innovations & Advocacy Telephone Number (916) 669-0888 E-mail Address scohelp@sia-us.com			

Program  
**048**

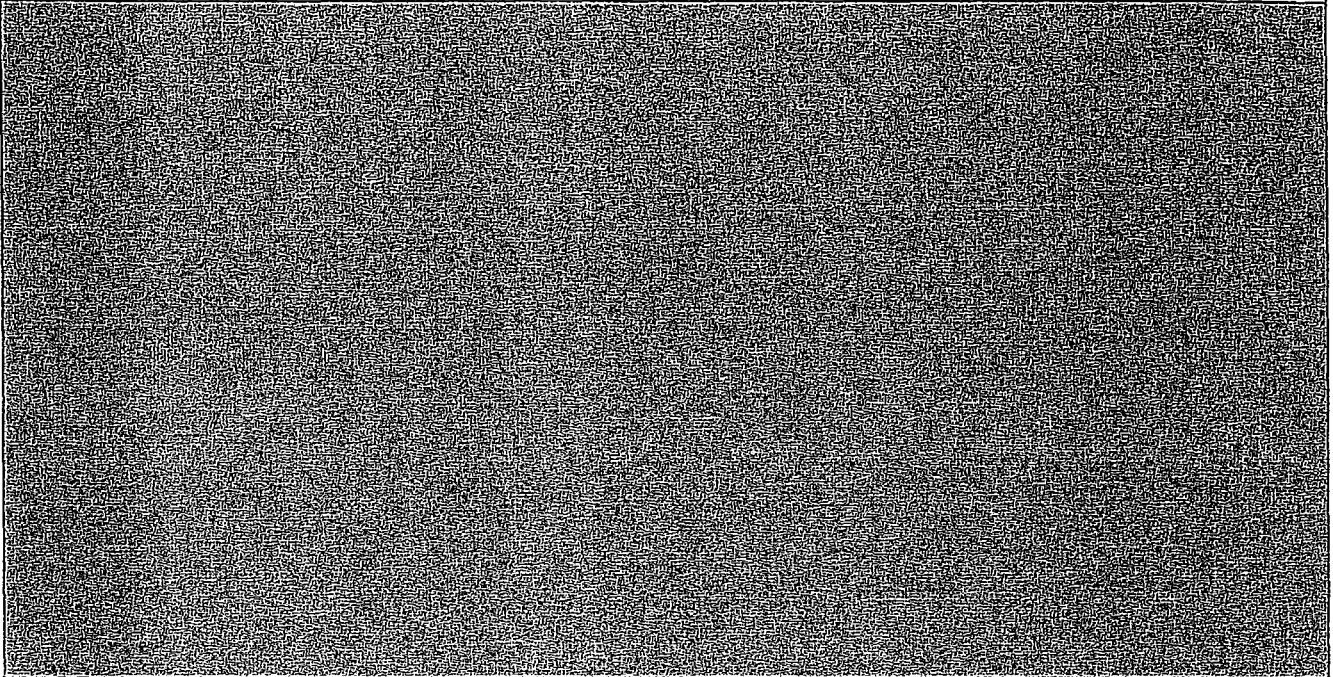
MANDATED COSTS  
NOTIFICATION OF TRUANCY  
CLAIM SUMMARY

**FORM  
1**

(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02)	Fiscal Year: 2008 / 2009
---	------	-----------------------------

**Claim Statistics**

(03) Number of truant notifications	16,382
-------------------------------------	--------



(04) Unit Cost per an initial truancy notification [\$17.74 for fiscal year 2008-09]	17.74
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(05) Total Costs: [Line (03) x line(04)]	290,617
--	---------


**Cost Reduction**

(06) Less: Offsetting Savings	
-------------------------------	--

(07) Less: Other Reimbursements	
---------------------------------	--

(08) Total Claimed Amount: {Line(05) - [Line(06) + line(07)]}	290,617
---	---------

Revised 07/09

CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 NOTIFICATION OF TRUANCY		For State Controller Use Only	Program <b>048</b>
(01) Claimant Identification Number <b>S34085</b>		(19) Program Number 00048	(20) Date Filed ___ / ___ / ___
(02) Claimant Name <b>SAN JUAN UNIFIED SD</b>		(21) LRS Input ___ / ___ / ___	
County of Location <b>SACRAMENTO</b>		<b>Reimbursement Claim Data</b>	
Street Address or P.O. Box <b>3738 WALNUT AVENUE</b>		(22) FORM-1, (03)	17,203
Suite		(23) FORM-1, (04)	17.66
City <b>CARMICHAEL</b>		(24) FORM-1, (06)	0
State <b>CA</b>		(25) FORM-1, (07)	0
Zip Code <b>95608-0477</b>		(26)	
Type of Claim		(27)	
(03)	(09) Reimbursement <input checked="" type="checkbox"/>	(28)	
(04)	(10) Combined <input type="checkbox"/>	(29)	
(05)	(11) Amended <input type="checkbox"/>	(30)	
Fiscal Year of Cost	(12) <b>2009 / 2010</b>	(31)	
Total Claimed Amount	(13) \$ <b>303,805</b>	(32)	
Less: 10% Late Penalty (refer to attached instructions)	(14)	(33)	
Less: Prior Claim Payment Received	(15)	(34)	
Net Claimed Amount	(16) \$ <b>303,805</b>	(35)	
Due from State	(17) \$ <b>303,805</b>	(36)	
Due to State	(18)		
<b>(37) CERTIFICATION OF CLAIM</b>			
<p>In accordance with the provisions of Government Code Sections 17560 and 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 Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.</p> <p>I further certify that there was no application other than from the claimant, nor any grants or payments received, for reimbursement of costs claimed herein; claimed costs are for a new program or increased level of services of an existing program; and claimed amounts do not include charter school costs, either directly or through a third party. 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.</p> <p>The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.</p> <p>I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>			
Signature of Authorized Officer		Date Signed	<u>2-14-2011</u>
		Telephone Number	(916) 971-7238
		E-Mail Address	mdencavage@sanjuan.edu
MICHAEL DENCAVAGE / ASSOCIATE SUPERINTENDENT/CBO			
Type or Print Name and Title of Authorized Signatory			
(38) Name of Contact Person for Claim		Telephone Number	(916) 971-7238
MICHAEL DENCAVAGE / ASSOCIATE SUPERINTENDENT/CBO		E-mail Address	mdencavage@sanjuan.edu
Name of Consulting Firm / Claim Preparer		Telephone Number	(916) 669-0888
School Innovations & Advocacy		E-mail Address	scohelp@sia-us.com

Program

**048**

**MANDATED COSTS  
NOTIFICATION OF TRUANCY  
CLAIM SUMMARY**

**FORM  
1**

(01) Claimant: S34085 SAN JUAN UNIFIED SD	(02)	Fiscal Year: 2009 / 2010
<b>Claim Statistics</b>		
(03) Number of truant notifications		17,203
(04) Unit Cost per an initial truancy notification [\$17.66 for fiscal year 2009-10]		17.66
(05) Total Costs:	[Line (03) x line(04)]	303,805
<b>Cost Reduction</b>		
(06) Less: Offsetting Savings		
(07) Less: Other Reimbursements		
(08) Total Claimed Amount:	{Line(05) - [Line(06) + line(07)]}	303,805

Revised 10/10

**MANDATED COSTS  
NOTIFICATION OF TRUANCY  
CLAIM SUMMARY**

**FORM  
NOT-1A**

(01) Claimant:  
S34085  
SAN JUAN UNIFIED SD

(02) Type of Claim:  
Reimbursement   
Estimated

Fiscal Year:  
2009 / 2010

**Claim Statistics**

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

(a) Name of School	(d) Notifications
DISTRICT OFFICE	17,203
	17,203

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On December 18, 2013, I served the:

**Incorrect Reduction Claim Filing; and  
Notice of Complete Filing and Schedule for Comments**

Incorrect Reduction Claim

*Notification of Truancy*, 13-904133-I-11

Education Code Sections 48260 and 48260.5

Statutes 1983, Chapter 498

Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010

San Juan Unified School District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on December 18, 2013 at Sacramento, California.



---

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



# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 12/17/13

**Claim Number:** 13-904133-I-11

**Matter:** Notification of Truancy

**Claimant(s):** San Juan Unified School District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.2.)

**Socorro Aquino**, *State Controller's Office*

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

Phone: (916) 322-7522

SAquino@sco.ca.gov

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Phone: (916) 445-0328

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Phone: (916) 445-0328  
Yazmin.meza@dof.ca.gov

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**JOHN CHIANG**  
California State Controller

**RECEIVED**  
October 03, 2014  
*Commission on  
State Mandates*

**LATE FILING**

October 3, 2014

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

Re: **Notice of Complete Filing**  
Incorrect Reduction Claim (IRC)  
*Notification of Truancy, 13-904133-I-11*  
Education Code Sections 48260 and 48260.5  
Statutes 1983, Chapter 498  
Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010  
San Juan Unified School District, Claimant

Dear Ms. Halsey:

The State Controller's Office is transmitting our response to the above-entitled IRC.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,

A handwritten signature in black ink that reads "Jim L. Spano".

JIM L. SPANO, Chief  
Mandated Cost Audits Bureau  
Division of Audits

**RESPONSE BY THE STATE CONTROLLER’S OFFICE  
TO THE INCORRECT REDUCTION CLAIM (IRC) BY  
SAN JUAN UNIFIED SCHOOL DISTRICT  
Notification of Truancy Program**

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Note: References to Exhibits relate to the district’s IRC filed on October 1, 2013, as follows:

- Exhibit A – PDF page 26
- Exhibit B – PDF page 32
- Exhibit C – PDF page 39
- Exhibit D – PDF page 249
- Exhibit E – PDF page 269
- Exhibit F – PDF page 283

**Tab 1**

1 **OFFICE OF THE STATE CONTROLLER**

2 300 Capitol Mall, Suite 1850

3 Sacramento, CA 94250

4 Telephone No.: (916) 445-6854

5 BEFORE THE

6 COMMISSION ON STATE MANDATES

7 STATE OF CALIFORNIA

8  
9  
10 INCORRECT REDUCTION CLAIM ON:

11 *Notification of Truancy Program*

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

14 SAN JUAN UNIFIED SCHOOL DISTRICT,  
15 Claimant

No.: CSM 13-904133-I-11

AFFIDAVIT OF BUREAU CHIEF

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

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

1 7) A field audit of the claims for fiscal year (FY) 2006-07, FY 2007-08, FY 2008-09, and  
2 FY 2009-10 commenced on January 24, 2011, and ended on November 30, 2011.

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

6 Date: March 4, 2014

7 OFFICE OF THE STATE CONTROLLER

8  
9  
10 By: 

11 Jim L. Spano, Chief  
12 Mandated Cost Audits Bureau  
13 Division of Audits  
14 State Controller's Office  
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**Tab 2**

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE  
TO THE INCORRECT REDUCTION CLAIM BY  
SAN JUAN UNIFIED SCHOOL DISTRICT  
For Fiscal Year (FY) 2006-07, FY 2007-08, FY 2008-09, and FY 2009-10**

**Notification of Truancy Program  
Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007**

**SUMMARY**

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim that the San Juan Unified School District filed on October 1, 2013. The SCO audited the district's claims for costs of the legislatively mandated Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010. The SCO issued its final report on November 30, 2011 (**Exhibit D**).

The district submitted reimbursement claims totaling \$1,192,046—\$291,023 for FY 2006-07, \$302,988 for FY 2007-08, \$290,617 for FY 2008-09, and \$307,418 for FY 2009-10 (**Exhibit F**). Subsequently, the SCO performed an audit for the period of July 1, 2006, through June 30, 2010, and determined that \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The district disagrees with the audit results for FY 2006-07, FY 2007-08, FY 2008-09, and FY 2009-10, as shown in Schedule 1 of our final audit report issued November 30, 2011 (**Exhibit D**). The following table summarizes the audit results:

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2006, through June 30, 2007</u>			
Number of initial truancy notifications	18,020	15,927	(2,093)
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15
Total program costs	<u>\$ 291,023</u>	257,221	<u>\$ (33,802)</u>
Less amount paid by the State <sup>2</sup>		<u>(54,550)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,671</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,534	16,177	(1,357)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs	<u>\$ 302,988</u>	279,539	<u>\$ (23,449)</u>
Less amount paid by the State <sup>2</sup>		<u>(9)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 279,530</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	16,382	14,851	(1,531)
Unit cost per initial notifications	× \$17.74	× \$17.74	× \$17.74
Total program costs	<u>\$ 290,617</u>	\$ 263,457	<u>\$ (27,160)</u>
Less amount paid by the State <sup>2</sup>		<u>(65,849)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 197,608</u>	

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,203	16,021	(1,182)
Unit cost per initial notifications	× \$17.87	× \$17.87	× \$17.87
Total program costs <sup>1</sup>	<u>\$ 307,418</u>	<u>\$ 286,296</u>	<u>\$ (21,122)</u>
Less amount paid by the State <sup>2</sup>		(60,382)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 225,914</u>	
<u>Summary: July 1, 2006, through June 30, 2010</u>			
Total program costs	<u>\$ 1,192,046</u>	<u>\$ 1,086,513</u>	<u>\$ (105,533)</u>
Less amount paid by the State <sup>2</sup>		(180,790)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 905,723</u>	

<sup>1</sup> Calculation differences due to rounding.

<sup>2</sup> Payment information current as of February 10, 2014.

## I. NOTIFICATION OF TRUANCY PROGRAM CRITERIA

### Parameters and Guidelines – July 22, 1993

On August 27, 1987, the Commission on State Mandates (CSM) adopted the parameters and guidelines for Chapter 498, Statutes of 1983. The CSM amended the parameters and guidelines on July 22, 1993 (Tab 3).

Section I summarizes the mandated program as follows:

#### I. SUMMARY OF MANDATE

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

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

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

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

Section V.A identifies the mandated program's scope as follows:

V. REIMBURSABLE COSTS

A. Scope of Mandate

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

Section V.B.2 specifies the ongoing reimbursable activity:

V. REIMBURSABLE COSTS

B. Reimbursable Activities

2. Notification process – On-going

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

Section V.C identifies the uniform cost allowance applicable to the mandated program:

V. REIMBURSABLE COSTS

C. Uniform Cost Allowance

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance . . . *The uniform cost allowance is based on the number of initial notifications of truancy distributed* [emphasis added]. . . .

Section VI specifies the following claim preparation requirements:

VI. CLAIM PREPARATION

Each claim for reimbursement . . . must be timely filed *and provide documentation in support of the reimbursement claimed for this mandated program* [emphasis added].

**Parameters and Guidelines – May 27, 2010**

On January 31, 2008, and May 27, 2010, the CSM amended the parameters and guidelines, effective July 1, 2006 (**Exhibits A and B**). In relevant part, the CSM amended the parameters and guidelines on January 31, 2008, “to modify the definition of truant and the required elements to be included in the initial truancy notifications to conform reimbursable activities to Statutes 1994, Chapter 1023, and Statutes 1995, Chapter 19. . . .” The CSM amended the parameters and guidelines on May 27, 2010, to clarify mandated program documentation requirements.

**II. DISTRICT CLAIMED NON-REIMBURSABLE INITIAL TRUANCY NOTIFICATIONS**

**Issue**

The district claimed non-reimbursable initial truancy notifications totaling \$105,533. The district disagrees with the audit methodology and the results derived therefrom.

## SCO Analysis:

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

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

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

## District's Response

### THE ISSUE OF STATISTICAL SAMPLING AND EXTRAPOLATION

Reimbursement for this mandate is based on the actual number of notifications distributed, multiplied by a uniform cost allowance for reimbursement . . . The audit report states that this finding is based on a statistical sample. . . .

#### A. Legal Basis for Reimbursement Based on Statistical Sampling

The essential legal issue for this finding is whether the Controller can adjust claims utilizing an extrapolation of findings from an audit sample. . . .

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

- "The SCO did, in fact, conclude that the district's claim was excessive." That conclusion is not responsive to the sampling issue presented. The conclusion is also unavailing since the Notification of Truancy mandate is reimbursed based on a unit-cost rate allowance which was determined by the Commission on State Mandates to be a reasonable representation of actual costs incurred by districts.
- "Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs" and "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 District concurs that the Controller has authority to audit mandate claims, but asserts that it must be done legally and logically. The District does not dispute the Controller's authority to audit claims for mandated costs and to reduce those costs that are excessive or unreasonable . . . However, Section 12410 . . . is not specific to the audit of mandate reimbursement claims. The only applicable audit standard for mandate reimbursement claims is found in Government Code Section 17561 (d)(2). The fact that Section 17561(d)(2) specifies its own audit standard (excessive or unreasonable) implies that the general Controller audit standard (correctness, legality, and sufficient provisions of law) does not control here. Therefore, the Controller may only reduce a mandate reimbursement claim if it specifically finds that the amounts claimed are unreasonable or excessive under Section 17561(d)(2). Further, the Controller has not asserted or demonstrated that, if Section 12410 was the applicable standard, the audit adjustments were made in accordance with this standard. The District's claim was correct, in that it reported the number of notices distributed. There is also no allegation in the audit report that the claim was in any way

illegal . . . Thus, even if the standards of Section 12410 were applicable to mandate reimbursement audits, the Controller has failed to put forth any evidence that these standards are not met or even relevant. There is no indication that the Controller is *actually* relying on the audit standards set forth in Section 12410 for the adjustments to the District's reimbursement claims.

"The SCO conducted its audit according to generally accepted government auditing standards [GAGAS] (*Government Auditing Standards*, issued by the U.S. Government Accountability Office [GAO], July 2007)." The audit report asserts that the "standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence" but does not cite specific GAO or GAGAS language in support of that assertion. The audit report does not explain how a statistical sample that provides "appropriate evidence" of the scope and reliability of source documentation is therefore a source of findings of actual cost or pervasive compliance with the mandate program requirements. Notwithstanding, the GAO auditing guide referenced specifically pertains to audits of federal funds and state mandate reimbursement does not utilize federal funds. Further, the GAO audit guide has not been adopted pursuant to any state agency rulemaking nor is it included as a standard in the parameters and guidelines, so claimants could not be on legal notice of its requirements, assuming its requirements were relevant to mandate audits, nor could the District have actual notice of the GAO guide since the Controller does not publish its audit standards. Adjustment of the claimed costs based on an extrapolation from a statistical sample is utilizing a standard of general application without the benefit of compliance with the Administrative Procedure Act. Thus, the application of the method is prohibited by the Government Code.

#### SCO's Comment

#### **Government Code Section 12410**

The district states that Government Code section 12410 is not applicable to mandated cost claims. We disagree. Government Code section 12410 is quite specific in stating, "The Controller shall audit *all claims* against the state and may audit the disbursement of *any* state money, for correctness, legality, and for sufficient provisions of law for payment [emphasis added]."

The district states:

Further, the Controller has not asserted or demonstrated that, if Section 12410 was the applicable standard, the audit adjustments were made in accordance with this standard. The District's claim was correct, in that it reported the number of notices distributed. . . .

The district believes that only one "standard" is applicable to mandated cost claims. We disagree. All cited statutory audit standards are relevant. Pursuant to Government Code section 12410, we concluded that the district's claims were neither correct nor legal. Correct is defined as "conforming to an approved or conventional standard."<sup>3</sup> Legal is defined as "conforming to or permitted by law or established rules."<sup>4</sup> The district submitted claims for non-reimbursable initial truancy notifications.

#### **Statistical Sampling**

The district states, "The audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample." We disagree. Government Code section 17561, subdivision (d)(2)(B), states, "The Controller may reduce any claim that the Controller determines is excessive or unreasonable." Excessive is defined as "exceeding what is usual, *proper, necessary*, [emphasis added] or normal."<sup>5</sup> The district's claims were improper because the district claimed non-reimbursable initial truancy notifications. The district states that it "does not dispute the Controller's authority to audit claims for mandated costs

and to reduce those costs that are excessive or unreasonable.”

The district also contests the applicability of generally accepted government auditing standards (GAGAS) (*Government Auditing Standards*, issued by the U.S. Government Accountability Office [GAO], July 2007). The district states, “. . . the GAO auditing guide referenced specifically pertains to audits of federal funds. . . .” The district failed to cite language from *Government Auditing Standards* that supports its assertion. *Government Auditing Standards*, section 1.03, “Purpose and Applicability of GAGAS,” states:

The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence. *These standards are for use by auditors of government entities* [emphasis added]. . . .”

In addition, the district contests the appropriateness of statistical sampling. The district states that the audit report does not cite specific GAGAS language that recognizes statistical sampling as an acceptable method to provide sufficient, appropriate evidence. *Government Auditing Standards*, section 7.55, states “Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.” Section 7.56 states, “Appropriateness is the measure of the quality of evidence. . . .” In further discussing appropriateness, section 7.63 states, “When a representative sample is needed, the use of statistical sampling approaches generally results in stronger evidence. . . .”

The district states, “. . . the GAO audit guide has not been adopted pursuant to any state agency rulemaking . . . so the claimants could not be on legal notice of its requirements. . . .” *Government Auditing Standards* provides a framework to conduct audits. Its “requirements” are applicable to auditors, not claimants; therefore, state agency rulemaking is irrelevant. Similarly, it has no bearing on how claimants perform mandate-related activities or submit reimbursement claims.

<sup>3</sup> Merriam-Webster’s Collegiate Dictionary, Tenth Edition © 2001.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

## District’s Response

### B. Utility of the Sampling Methodology

A statistically valid sample methodology is a recognized audit tool for some purposes. See Exhibit “E” (“Statistical Sampling Revisited”). The sampling process was misapplied here. The purpose of sampling is to determine the results of transactions or whether procedures were properly applied to the reported transactions . . . . What the Controller purports to be testing is whether the notices are reimbursable based on the number of prerequisite absences or content of the notice. . . .

Instead, the auditor was actually conducting a review for documentation rather than mandate compliance. Testing for procedural compliance usually involves establishing tolerance parameters, but in the case of this audit, the tolerance factor was zero, that is, based on the auditor’s perception of adequate documentation, which is a separate issue. Testing to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here. . . .

## SCO’s Comment

The district states that the sampling process was “misapplied.” The district includes an exhibit but

makes no specific reference to that exhibit to support its position. We disagree with the district's statement. We properly used estimation sampling to establish the frequency of occurrence of non-reimbursable initial truancy notifications. We conclude that the sampling methodology is appropriate based on the following:

*Estimation sampling* is the most widely used approach to audit tests. It provides the answer to the question of how many or how much. When this method is used, a random sample of a special size is obtained, and either the number of some specified type of item or event (such as errors) appearing in the sample is counted and the proportion of these items determined. . . .

If the sample is used as a means of establishing the frequency of occurrence of some kind of event or type of item, the process is referred to as *attributes sampling*. The result of such a sampling operation is commonly expressed as the *percent* of the type of event specified.

In statistical terminology, any measurement obtained by counting the number of items falling in a given category is called an *attribute measurement* . . . Examples of attribute categories include errors versus nonerrors. . . .<sup>6</sup>

The district continues by stating:

What the Controller purports to be testing is whether the notices are reimbursable based on the number of prerequisite absences or content of the notice. . . .

Instead, the auditor was actually conducting a review for documentation rather than mandate compliance.

We agree that we tested initial truancy notifications to determine if those notifications are reimbursable based on the number of unexcused absences or tardiness occurrences specified in the parameters and guidelines. We did not use statistical samples to test "content of the notice." The district's reference to "conducting a review for documentation" is unclear.

We properly examined the district's supporting documentation to identify the number of unexcused absences or tardiness occurrences that occurred while the student was between ages 6 and 18, thereby classifying the initial truancy notification as reimbursable or non-reimbursable.

The district states, "Testing for procedural compliance usually involves establishing tolerance parameters, but in the case of this audit, the tolerance factor was zero, that is, based on the auditor's perception of adequate documentation. . . ." We disagree. A "tolerance factor" is not applicable, because we conducted estimation sampling as noted above. For each initial truancy notification, the notification is either an "error" or a "non-error," depending on the number of valid unexcused absences or tardiness occurrences that support the notification. There was no "auditor's perception of adequate documentation;" the district's records either did or did not identify the minimum number of unexcused absences or tardiness occurrences.

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

## District's Response

### C. Sample Risk

The ultimate risk from extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of



the under-age issue, which makes these samples nonrepresentative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body. . . .

### SCO's Comment

The district states:

The ultimate risk from extrapolating findings from a sample is that . . . the errors perceived from the sample do not occur at the same rate in the universe. *That is what has occurred in this audit* [emphasis added].

Title 5, *California Code of Regulations*, section 1185, subdivision (f)(3), states:

If the narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and *utilizes assertions or representations of fact* [emphasis added], such assertions or representations shall be supported by testimonial or documentary evidence and shall be submitted with the claim.

The district provided no documentary evidence to support its assertion.

The district alleges that the samples are non-representative of the population because kindergarten students and special education students are more likely to be "excluded for being under-age or over-age." The fact that a particular student's initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population. To that point, Arkin states:

Since the [statistical] sample is objective and unbiased, it is not subject to questions that might be raised relative to a judgment sample. Certainly a complaint that the auditor had looked only at the worst items and therefore biased the results would have no standing. This results from the fact that an important feature of this method of sampling is that all entries or documents have an equal opportunity for inclusion in the sample.<sup>7</sup>

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<sup>7</sup> Ibid, p. 9.

## District's Response

### D. Sample Error

	06-07	07-08	08-09	09-10	Total
<u>Elementary Schools</u>					
Audited notifications claimed	8,680	8,001	7,545	6,006	30,232
Total notices in entire sample	148	147	147	146	588
Percentage of the sample to total	1.7%	1.8%	1.9%	2.4%	1.9%
<u>Audit Results:</u>					
Alleged "noncompliant" notices	26	19	24	3	72
Percentage "noncompliant"	17.6%	12.9%	16.3%	2.05%	12.2%
<u>Secondary Schools</u>					
Audited notifications claimed	9,340	9,533	8,837	11,197	38,907
Total notices in entire sample	148	148	148	148	592
Percentage of the sample to total	1.6%	1.6%	1.7%	1.3%	1.5%
<u>Audit Results:</u>					
Alleged "noncompliant" notices	9	5	5	14	33
Percentage "noncompliant"	6.08%	3.38%	3.38%	9.46%	5.57%

In addition to the qualitative concerns discussed, quantitative extrapolation of the sample to the universe depends on a statistically valid sample methodology. Extrapolation does not ascertain actual cost. It ascertains probable costs within an interval. The sampling technique used by the Controller is quantitatively non-representative. For the four fiscal years, the Controller determined that there were 69,139 (30,232+38,907) in the distributed notices universe. The total sample size for all three years was 1,180 truancy notifications (588+592) which is 1.7% of the universe. The stated precision rate was plus or minus 8%, even though the sample size is essentially identical for all four fiscal years (either 146, 147, or 148), and even though the audited number of notices claimed for daily accounting (elementary schools) in FY 2006-07 (8,680) is 45% larger than the size of FY 2009-10 (6,006). The expected error rate is stated to be 50%, which means the total adjustment amount of \$105,533 is really just a number exactly between \$52,767 (50%) and \$158,300 (150%). An interval of possible outcomes cannot be used as a finding of absolute actual cost.

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

### SCO's Comment

The district states that the sampling technique is "quantitatively non-representative." We disagree. It appears that the district reached this conclusion because the sample sizes were essentially consistent, while the applicable population size varied. Basic statistical sampling principles dismiss the district's contention. To that point, Arkin states:

It is apparent that it is the absolute size of the sample that is of primary consideration and *not* its relative size.<sup>8</sup>

Arkin also states that when the sample constitutes an appreciable portion of the population (more than 1%), the attributes sampling sample size is calculated as follows:<sup>9</sup>

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

Where:

n = sample size

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

SE = desired sample precision

t = confidence level factor (distance from arithmetic mean in terms of standard deviation)

N = population size

Our report states that we calculated the sample size based on a 95% confidence level, which results in a confidence level factor of 1.96.<sup>10</sup>

The district states, "The expected error rate is stated to be 50%, which means the total amount adjusted of \$105,533 is really just a number exactly between \$52,767 (50%) and \$158,300 (150%)." The district's conclusion is erroneous. The expected error rate is used to calculate the appropriate sample size. To that point, Arkin states:

In the event that the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate, he may use the table headed "Rate of Occurrence 50%" [an expected error rate of 50%]. In this case he will be supplied with the most conservative possible sample size estimate and will in no case find he has a poorer sample precision than desired. . . .<sup>11</sup>

The district has identified an incorrect range for the audit adjustment. Based on the sampling parameters identified in the report and the individual sample results, our analysis shows that the audit adjustment range is \$54,620 to \$156,444 (Tab 4). While a statistical sample evaluation identifies a range for the population's true error rate, the point estimate provides the best, and thus *reasonable*, single estimate of the population's error rate. The audit report identifies a \$105,533 audit adjustment, which is a cumulative total of the unallowable costs based on point estimates from each audit sample's results.

As the district states in multiple instances, Government Code section 17561, subdivision (d)(2)(B) specifies that the SCO may reduce any claim that it determines is excessive or unreasonable. The SCO conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs. Therefore, the Administrative Procedures Act is not applicable.

<sup>8</sup> Ibid, p. 90.

<sup>9</sup> Ibid, p. 85.

<sup>10</sup> Ibid, p. 56.

<sup>11</sup> Ibid, p. 89.

## District's Response

### THE ISSUES OF COMPLIANCE WITH THE MANDATE

... The audit report disallows 105 (72+33) of the 1,180 notifications evaluated for two reasons:

<u>DISALLOWANCE REASON</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	<u>Total</u>
<u>Daily Attendance</u>					
Underage (less than 6 years)	20	16	22	1	59
Less than 3 Absences	6	3	2	2	13
Total Disallowed	26	19	24	3	72
Sample Size	148	147	147	146	588
Percentage Disallowance	17.6%	12.9%	16.3%	2.05%	12.2%
<u>Period Attendance</u>					
Overage (18 years plus)	9	5	4	9	27
Less than 3 Absences	-	-	1	5	6
Total Disallowed	9	5	5	14	33
Sample Size	148	148	148	148	592
Percentage Disallowance	6.08%	3.38%	3.38%	9.46%	5.57%

#### E. Age of Student

The audit report disallows 59 notices in the audit sample for the elementary school (daily attendance accounting) for students that were less than 6 years of age and disallows 27 notices in the audit sample for the secondary schools (period attendance accounting) for students that were older than eighteen years of age, citing the compulsory attendance law, Education Code Section 48200 [footnote excluded]. Section 48200 and Section 48400 [footnote excluded] establish the legal *requirement* for attendance for persons of the ages 6 through 18 years of age, and is an offense enforceable against parents who fail to send their children to school. However, younger persons have the statutory entitlement to attend kindergarten pursuant to Section 48000 [footnote excluded], and first-grade pursuant to Section 48010 [footnote excluded] and Section 48011 [footnote excluded], that cannot be denied by a school district. In addition, special education students are statutorily entitled to educational services from ages 3 to 22 years pursuant to Section 56026 [footnote excluded].

The District is required by Section 46000 [footnote excluded] to record and keep attendance and report absences of *all students* according to the regulations of the State Board of Education for purposes of apportionment and general compliance with the compulsory education law (Title 5, CCR, Section 400 [footnote excluded], et seq.). The initial notification of truancy is a product of the attendance accounting process and promotes compliance of the compulsory education law and *every pupil's* duty to attend school regularly (Title 5, CCR, Section 300 [footnote excluded]).

#### SCO's Comment

The district states that the audit report disallowed 59 notices for elementary school students that were less than 6 years of age and disallowed 27 notices for secondary school students that were older than 18 years of age. The statement is incorrect. The audit report identified 59 unallowable elementary school initial truancy notifications and 27 secondary school initial truancy notifications because those students did not accumulate the required number of unexcused absences or tardiness occurrences while between ages 6 and 18.

The district confuses students' statutory *requirement* to attend school between ages 6 and 18 with students' *entitlement* to attend outside of that age range. Education Code section 48260, subdivision (a), as amended in 1994 states:

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

Education Code 48200 states:

*Each person between the ages of 6 and 18 [emphasis added] not exempted . . . is subject to compulsory full-time education.*

Student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are irrelevant when determining whether a student is a truant.

### III. AMOUNT PAID BY THE STATE

#### Issue

For each fiscal year, the audit report identifies the amount previously paid by the State. The district requested that the SCO support the amount paid by the State.

#### **SCO Analysis:**

At the time that the SCO issued the final audit report, the State had paid the district \$54,550 for FY 2006-07, \$9 for FY 2007-08, \$65,849 for FY 2008-09, and \$60,382 for FY 2009-10. This payment information is current as of February 10, 2014. The amounts paid as of February 10, 2014, include cash payments and outstanding account receivables applied.

#### District's Response

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

<u>Amount Paid by the State</u>	<u>Fiscal Year of Claim</u>			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
As Claimed	\$ -	\$ -	\$ -	\$ -
Audit Report	\$ 54,550	\$ 9	\$ 65,849	\$ 60,382

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

#### SCO's Comment

The final audit report correctly identified the amounts paid by the State as of the report issuance date. Audit findings address issues of noncompliance with mandated program requirements. The State payments are not "a finding in the audit report" because they are not relevant to noncompliance issues.

The following table identifies the actions and dates relevant to the district's claims:

<u>Action</u>	<u>Amount</u>	<u>Date</u>	<u>Reference</u>
<b><u>FY 2006-07</u></b>			
District files FY 2006-07 claim	<u>\$ 291,023</u>	February 15, 2008	
SCO payments on FY 2006-07 estimated claim:			
Cash payment on estimated claim	(35,363)	March 12, 2007	Tab 5
Payment offset: Graduation Requirements Program, FY 2000-01	<u>(19,187)</u>	March 12, 2007	Tab 5
Net paid per audit report <sup>1</sup>	<u>\$ (54,550)</u>		
<b><u>FY 2007-08</u></b>			
District files FY 2007-08 claim	<u>\$ 302,988</u>	February 13, 2009	
SCO payment on FY 2007-08 claim:			
Payment offset: Intradistrict Attendance Program, FY 2005-06	(9)	June 14, 2010	Tab 6
Net paid per audit report <sup>1</sup>	<u>\$ (9)</u>		
<b><u>FY 2008-09</u></b>			
District files FY 2008-09 claim	<u>\$ 290,617</u>	February 12, 2010	
SCO cash payment on actual claim	(59,664)	December 6, 2010	Tab 7
SCO cash payment on actual claim	<u>(6,185)</u>	January 25, 2011	Tab 7
Net paid per audit report <sup>1</sup>	<u>\$ (65,849)</u>		
<b><u>FY 2009-10</u></b>			
District files FY 2009-10 claim	<u>\$ 307,418</u>	February 15, 2011	
SCO cash payment on actual claim	<u>(60,382)</u>	September 27, 2011	Tab 8
Net paid per audit report <sup>1</sup>	<u>\$ (60,382)</u>		

<sup>1</sup> Payments current as of February 10, 2014

The district was paid \$54,550 for FY 2006-07, \$9 for FY 2007-08, \$65,849 for FY 2008-09, and \$60,382 for FY 2009-10 claims. The payments consist of the following:

- For the FY 2006-07 claim, the district received a cash payment of \$35,363 and a payment offset of \$19,187 from a previous payment on its FY 2000-01 Graduation Requirements Program claim (Tab 5).
- For the FY 2007-08 claim, the district received a payment of \$9 from a previous payment made on its FY 2005-06 Intradistrict Attendance Program claim (Tab 6).
- For FY 2008-09, the district received two separate cash payments totaling \$59,664 and \$6,185 (Tab 7).
- For FY 2009-10, the district received a cash payment of \$60,382 (Tab 8).

The district did not contest the payment amounts in its November 2, 2011 response to our draft audit report (Exhibit D).

Title 2, *California Code of Regulations*, Section 1185, allows the district to file an incorrect reduction claim “[t]o obtain a determination that the Office of the State Controller incorrectly reduced a reimbursement claim.” The State payment information has no relevance to reducing a reimbursement claim. The district is misusing the incorrect reduction claim process to perform its internal revenue accounting. Neither the CSM nor the SCO is responsible for the district’s proper accounting of its current mandated cost program revenues.

#### IV. CONCLUSION

The State Controller’s Office audited San Juan Unified School District’s claims for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010. The district claimed unallowable costs totaling

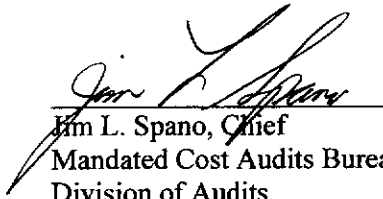
\$105,533. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications.

In conclusion, the CSM should find that: (1) the SCO correctly reduced the district's FY 2006-07 claim by \$33,802; (2) the SCO correctly reduced the district's FY 2007-08 claim by \$23,449; (3) the SCO correctly reduced the district's FY 2008-09 claim by \$27,160; and (4) the SCO correctly reduced the district's FY 2009-10 claim by \$21,122.

## V. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on March 4, 2014, at Sacramento, California, by:

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

**Tab 3**



G:\PG\NOT1.PG

Adopted: 8/27/87

Amended: 7/28/88

Amended: 7/22/93

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

I. SUMMARY OF MANDATE

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

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

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

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

II. BOARD OF CONTROL DECISION

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

### III. ELIGIBLE CLAIMANTS

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

### IV. PERIOD OF REIMBURSEMENT

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

### V. REIMBURSABLE COSTS

#### A. Scope of Mandate

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

#### B. Reimbursable Activities

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

##### 1. Planning and Preparation -- One-time

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

##### 2. Notification process -- On-going

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

### C. Uniform Cost Allowance

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

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

### D. Unique Costs

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

## VI. CLAIM PREPARATION

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

### A. Uniform Cost Allowance Reimbursement

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

### B. Recognized Unique Costs

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

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

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

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VII. SUPPORTING DATA

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

A. Uniform Allowance Reimbursement

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

B. Reimbursement of Unique Costs

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

VII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

VIII. REQUIRED CERTIFICATION

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

**Tab 4**

**SAN JUAN UNIFIED SCHOOL DISTRICT  
NOTIFICATION OF TRUANCY PROGRAM  
JULY 1, 2006, THROUGH JUNE 30, 2010**

**ANALYSIS OF STATISTICAL SAMPLE RESULTS**

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
<b>Non-reimbursable initial truancy notifications (A):</b>				
Elementary Schools	26	19	24	3
Secondary Schools	9	5	5	14
<b>Sample size (B):</b>				
Elementary Schools	148	147	147	146
Secondary Schools	148	148	148	148
<b>Error rate ((C) = (A) ÷ (B)):</b>				
Elementary Schools	17.57%	12.93%	16.33%	2.05%
Secondary Schools	6.08%	3.38%	3.38%	9.46%
<b>Population (D):</b>				
Elementary Schools	8,680	8,001	7,545	6,006
Secondary Schools	9,340	9,533	8,837	11,197
<b>Point estimate ((E) = (C) ÷ (D)):</b>				
Elementary Schools	1,525	1,035	1,232	123
Secondary Schools	568	322	299	1,059
<b>Confidence level factor (F) (95% confidence level)</b>				
	1.96	1.96	1.96	1.96
<b>Universe standard error (G):<sup>1</sup></b>				
Elementary Schools	270	220	229	70
Secondary Schools	183	141	131	268
<b>Upper limit (H) = (E) + ((F) x (G)):</b>				
Elementary Schools (overstated)/understated	(2,054)	(1,466)	(1,681)	(260)
Secondary Schools (overstated)/understated	(927)	(598)	(556)	(1,584)
<b>Lower limit (J) = (E) - ((F) x (G)):</b>				
Elementary Schools (overstated)/understated	(996)	(604)	(783)	14
Secondary Schools (overstated)/understated	(209)	(46)	(42)	(534)

Source for formulas: <http://www.slideshare.net/mblakley/sampling-2599829>

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

**SAN JUAN UNIFIED SCHOOL DISTRICT  
NOTIFICATION OF TRUANCY PROGRAM  
JULY 1, 2006, THROUGH JUNE 30, 2010**

**CALCULATION OF AUDIT ADJUSTMENT RANGE**

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
<u>Elementary Schools</u>					
Number of unallowable initial truancy notifications - upper limit (H)	(2,054)	(1,466)	(1,681)	(260)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	<u>\$ (33,172)</u>	<u>\$ (25,332)</u>	<u>\$ (29,821)</u>	<u>\$ (4,646)</u>	\$ (92,971)
<u>Secondary schools</u>					
Number of unallowable initial truancy notifications - upper limit (H)	(927)	(598)	(556)	(1,584)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	<u>\$ (14,971)</u>	<u>\$ (10,333)</u>	<u>\$ (9,863)</u>	<u>\$ (28,306)</u>	(63,473)
Audit adjustment, upper limit	<u>\$ (48,143)</u>	<u>\$ (35,665)</u>	<u>\$ (39,684)</u>	<u>\$ (32,952)</u>	<u>\$ (156,444)</u>
<u>Elementary Schools</u>					
Number of unallowable initial truancy notifications - lower limit (J)	(996)	(604)	(783)	14	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	<u>\$ (16,085)</u>	<u>\$ (10,437)</u>	<u>\$ (13,890)</u>	<u>\$ 250</u>	\$ (40,162)
<u>Secondary schools</u>					
Number of unallowable initial truancy notifications - lower limit (J)	(209)	(46)	(42)	(534)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	<u>\$ (3,375)</u>	<u>\$ (795)</u>	<u>\$ (745)</u>	<u>\$ (9,543)</u>	(14,458)
Audit adjustment, lower limit	<u>\$ (19,460)</u>	<u>\$ (11,232)</u>	<u>\$ (14,635)</u>	<u>\$ (9,293)</u>	<u>\$ (54,620)</u>



**Tab 5**

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

S34085

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

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

WARRANT AMT: \*\*\*\*35,363.00

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 03/12/2007

CLAIM SCHEDULE NBR: MA62197E

REIMBURSEMENT OF STATE MANDATED COSTS

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

ACL : CH. 498/83

PROG : NOTICE OF TRUANCY CH 498/83

2006/2007 ESTIMATED PAYMENT

CLAIMED AMT: 305,423.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

305,423.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

17.860490

PRORATA BALANCE DUE:

250,873.00-

APPROVED PAYMENT AMOUNT:

54,550.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

6110-295-0001-2000 GRADUATION REQ'MENTS CH 00/01

19,187-

NET PAYMENT AMOUNT:

35,363.00

JANUARY 14, 2012  
BOARD OF TRUSTEES  
SAN JUAN UNIFIED SCHOOL DIST  
SACRAMENTO COUNTY  
3738 WALNUT AVENUE  
CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY : 498/83-S

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:

AMOUNT CLAIMED		291,023.00
ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	-	33,802.00
TOTAL ADJUSTMENTS		- 33,802.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA62197E  
PAID 03-12-2007

54,550.00

AMOUNT DUE CLAIMANT

\$ 202,671.00

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT VAL CHULUUNJAV AT (916) 323-0734 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.

**Tab 6**

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

S34085

THIS NOTICE IS FOR INFORMATION PURPOSE ONLY.  
NO WARRANT WILL BE MAILED.  
THE NET PAYMENT AMOUNT WAS ZERO.

BOARD OF TRUSTEES \*\*\*\*\*.00  
SAN JUAN UNIFIED SCHOOL DIST  
SACRAMENTO COUNTY  
3738 WALNUT AVENUE  
CARMICHAEL CA 95608

PAYEE: TREASURER, SAN JUAN UNIFIED SCHOOL DIST

FUND NAME: GENERAL FUND

PGM NBR: 00048

ISSUE DATE: 06/14/2010

CLAIM SCHEDULE NBR: MA94424A

REIMBURSEMENT OF STATE MANDATED COSTS

ANY QUESTIONS PLS CONTACT ELLEN SOLIS (916) 323-0698

ACL : 498/83

PROG : NOTICE OF TRUANCY CH 498/83

2007/2008 ACTUAL PAYMENT

CLAIMED AMT: 302,988.00

TOTAL ADJUSTMENTS:

.00

TOTAL APPROVED CLAIMED AMT:

302,988.00

LESS PRIOR PAYMENTS:

.00

PRORATA PERCENT:

.005663

PRORATA BALANCE DUE:

302,979.00-

APPROVED PAYMENT AMOUNT:

9.00

PAYMENT OFFSETS (ACL NBR, NAME, FY, AMT.):

CH 161/93

INTRADIST ATTEND CH161/9 05/06

9-

NET PAYMENT AMOUNT:

.00

JANUARY 14, 2012  
BOARD OF TRUSTEES  
SAN JUAN UNIFIED SCHOOL DIST  
SACRAMENTO COUNTY  
3738 WALNUT AVENUE  
CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY : 498/83-S

WE HAVE REVIEWED YOUR 2007/2008 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		302,988.00
ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	-	23,449.00
TOTAL ADJUSTMENTS		- 23,449.00

LESS PRIOR PAYMENT: SCHEDULE NO. MA94424A  
PAID 06-14-2010

9.00

AMOUNT DUE CLAIMANT

-----  
\$ 279,530.00  
=====

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT VAL CHULUUNJAV AT (916) 323-0734 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.

**Tab 7**

S34085  
00048  
2012/01/14

JANUARY 14, 2012  
BOARD OF TRUSTEES  
SAN JUAN UNIFIED SCHOOL DIST  
SACRAMENTO COUNTY  
3738 WALNUT AVENUE  
CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY : 498/83-S

WE HAVE REVIEWED YOUR 2008/2009 FISCAL YEAR REIMBURSEMENT CLAIM FOR THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		290,617.00
TOTAL ADJUSTMENTS (DETAILS BELOW)	-	27,160.00
TOTAL PRIOR PAYMENTS (DETAILS BELOW)		-65,849.00
		-----
AMOUNT DUE CLAIMANT	\$	197,608.00
		=====

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT VAL CHULUUNJAV AT (916) 323-0734 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.

ADJUSTMENT TO CLAIM:

FIELD AUDIT FINDINGS	-	27,160.00	
TOTAL ADJUSTMENTS			- 27,160.00
PRIOR PAYMENTS:			
SCHEDULE NO. MA03312A			
PAID 01-25-2011		-6,185.00	
SCHEDULE NO. MA03307A			
PAID 12-06-2010		-59,664.00	
TOTAL PRIOR PAYMENTS			-65,849.00



**Tab 8**

S34085  
00048  
2012/01/14

JANUARY 14, 2012  
BOARD OF TRUSTEES  
SAN JUAN UNIFIED SCHOOL DIST  
SACRAMENTO COUNTY  
3738 WALNUT AVENUE  
CARMICHAEL CA 95608

DEAR CLAIMANT:

RE: NOTICE OF TRUANCY : 498/83-S

WE HAVE REVIEWED YOUR 2009/2010 FISCAL YEAR REIMBURSEMENT CLAIM FOR  
THE MANDATED COST PROGRAM REFERENCED ABOVE. THE RESULTS OF OUR  
REVIEW ARE AS FOLLOWS:

AMOUNT CLAIMED		307,418.00
ADJUSTMENT TO CLAIM:		
FIELD AUDIT FINDINGS	-	21,122.00
TOTAL ADJUSTMENTS	-	21,122.00
		-----

LESS PRIOR PAYMENT: SCHEDULE NO. MA14004A  
PAID 09-27-2011

60,382.00

AMOUNT DUE CLAIMANT

\$ 225,914.00  
=====

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT VAL CHULUUNJAV  
AT (916) 323-0734 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.

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On October 6, 2014, I served the:

**SCO Comments**

Incorrect Reduction Claim

*Notification of Truancy*, 13-904133-I-11

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

Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010

San Juan Unified School District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on October 3, 2014 at Sacramento, California.



---

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

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 10/6/14

**Claim Number:** 13-904133-I-11

**Matter:** Notification of Truancy

**Claimant:** San Juan Unified School District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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**Keith Petersen**, *SixTen & Associates*

**Claimant Representative**

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**Kent Stephens**, Chief Financial Officer, *San Juan Unified School District*

Business Services, 3738 Walnut Avenue, Carmichael, CA 95609

Phone: (916) 971-7238

kent.stephens@sanjuan.edu

## COMMISSION ON STATE MANDATES

980 NINTH STREET, SUITE 300  
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 FAX: (916) 445-0278  
 E-mail: [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov)



July 31, 2015

Mr. Keith B. Petersen  
 SixTen and Associates  
 P.O. Box 340430  
 Sacramento, CA 95834-0430

Ms. Jill Kanemasu  
 State Controller's Office  
 Accounting and Reporting  
 3301 C Street, Suite 700  
 Sacramento, CA 95816

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**  
*Notification of Truancy, 13-904133-I-11*  
 Education Code Sections 48260.5  
 Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023;  
 Statutes 1995, Chapter 19  
 Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010  
 San Juan Unified School District, Claimant

Dear Mr. Petersen and Ms. Kanemasu:

The draft proposed decision for the above-named matter is enclosed for your review and comment.

### Written Comments

Written comments may be filed on the draft proposed decision by **August 21, 2015**. You are advised that comments filed with the Commission on State Mandates (Commission) are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

### Hearing

This matter is set for hearing on **Friday, September 25, 2015**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. The proposed decision will be issued on or about September 11, 2015. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

Heather Halsey  
 Executive Director

**ITEM \_\_**  
**INCORRECT REDUCTION CLAIM**  
**DRAFT PROPOSED DECISION**

Education Code section 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023 ; Statutes 1995, Chapter 19

*Notification of Truancy*

Fiscal Years 2006-2007 through 2009-2010

13-904133-I-11

San Juan Unified School District, Claimant

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**EXECUTIVE SUMMARY**

**Overview**

This analysis addresses reductions made by the State Controller's Office (Controller) to San Juan Unified School District's (claimant's) reimbursement claims for costs incurred during fiscal years 2006-2007 through 2009-2010 under the *Notification of Truancy* program.

The following issues are in dispute:

- The statutory deadline to initiate the audit of the 2006-2007 reimbursement claim;
- Reductions based on notifications of truancy issued for pupils who had less than three unexcused absences or occurrences of tardiness and for pupils who were under the age of six and over the age of eighteen.
- Whether the use of the statistical sampling methodology to support the reduction in this case is an underground regulation or violates claimant's right to reimbursement for all mandated costs incurred under article XIII B, section 6 of the California Constitution.

As explained herein, staff finds that the Controller did not initiate its audit of the 2006-2007 reimbursement claim within the statutory deadline and, thus, the audit reductions for that fiscal year (\$33,802) are void and should be reinstated to the claimant.

Staff further finds that the remaining reduction of costs (\$71,731) for fiscal years 2007-2008, 2008-2009, and 2009-2010 is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support. The claimant's request for reimbursement to provide initial truancy notices for pupils with less than three truancy absences or tardies, or for students who are under the age of six and over the age of eighteen, goes beyond the scope of the mandate and is not eligible for reimbursement.

Staff further finds that the Controller's calculation of reductions based on estimation sampling and extrapolation is not inconsistent with the requirement of article XIII B, section 6 that local governments are entitled to reimbursement of all costs mandated by the state, nor does the



Controller's application of this methodology in this instance constitute an illegal underground regulation. Finally, staff finds that here is no evidence in the record that the Controller's findings using the sampling and extrapolation methodology are not representative of all notices claimed during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

#### Notification of Truancy Program

Under California's compulsory education laws, children between the ages of six and 18 are required to attend school full-time, with a limited number of specified exceptions.<sup>1</sup> Chapter 498, Statutes of 1983, added Education Code Section 48260.5 which specified as follows:

§ 48260.5. Notice to parent or guardian; alternative educational programs; solutions

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

(1) That the pupil is truant.

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

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

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

(1) Alternative educational programs available in the district.

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

On November 29, 1984, the Board of Control, the predecessor to the Commission, determined that Education Code Section 48260.5, as added by Chapter 498, Statutes of 1983, imposed a reimbursable state-mandated program to develop notification forms and provide written notice to the parents or guardians of the truancy.<sup>2</sup>

Accordingly, the Board of Control's test claim decision and the parameters and guidelines adopted by the Commission, found that section 48260.5 imposed a state-mandated program requiring that upon a student's classification as a truant, the school must notify the pupil's parent or guardian. At the time of the test claim decision and adoption of the parameters and guidelines, section 48260 as enacted in 1983, which was found not to impose any mandated activities, provided that a truancy occurs when a student is "absent from school without valid

<sup>1</sup> Education Code section 48200.

<sup>2</sup> Exhibit X, Brief Written Statement for Adopted Mandate issued by the Board of Control on the Notification of Truancy test claim (SB 90-4133).

excuse *more than three days* or tardy in excess of 30 minutes on each of *more than three days* in one school year...”<sup>3</sup>

The original parameters and guidelines were adopted by the Commission on August 27, 1987, and authorized reimbursement for the one-time activities of planning implementation, revising school district policies and procedures, and designing and printing the forms. Reimbursement was also authorized for ongoing activities to identify pupils to receive the initial notification and prepare and distribute the notification by first class mail or other reasonable means.

The Commission amended the parameters and guidelines on July 22, 1993, effective beginning July 1, 1992, to add a unit cost of \$10.21, adjusted annually by the Implicit Price Deflator, for each initial notification of truancy distributed in lieu of requiring the claimant to provide documentation of actual costs to the Controller. The parameters and guidelines further provide that “school districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement.”<sup>4</sup>

As later amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102), section 48260 provided that a pupil would be classified a truant “who is absent from school without valid excuse *three full days* in one school year, or tardy or absent for more than any 30-minute period during the school day without a valid excuse on *three occasions* in one school year, or any combination thereof...”<sup>5</sup> At the same time, the Legislature amended section 48260.5 to require the school to also notify parents that a pupil may be subject to prosecution under section 48264; that a pupil may be subject to suspension or restriction of driving privileges under section 13202.7 of the Vehicle Code; and that it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.<sup>6</sup> Those amendments were incorporated into the parameters and guidelines on January 31, 2008, effective July 1, 2006, at the Legislature’s direction.<sup>7</sup> These are the parameters and guidelines applicable to this claim.

### **Procedural History**

On February 14, 2008, claimant signed its fiscal year 2006-2007 reimbursement claim.<sup>8</sup> On February 11, 2009, claimant signed its 2007-2008 reimbursement claim.<sup>9</sup> On February 10, 2010, claimant signed its 2008-2009 reimbursement claim.<sup>10</sup> On February 14, 2011, claimant signed

<sup>3</sup> Education Code section 48260 (Stats. 1983, ch. 498).

<sup>4</sup>Exhibit A, IRC, page 69.

<sup>5</sup> Education Code section 48260, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.

<sup>6</sup> Education Code section 48260.5, as amended by Stats. 1994, ch. 1023 and Stats. 1995, ch. 19.

<sup>7</sup> Statutes 2007, chapter 69 (AB 1698).

<sup>8</sup> Exhibit A, IRC, page 284.

<sup>9</sup> Exhibit A, IRC, page 287.

<sup>10</sup> Exhibit A, IRC, page 290.

its 2009-2010 reimbursement claim.<sup>11</sup> On February 15, 2011, the entrance conference for the audit was conducted.<sup>12</sup> On November 30, 2011, the Controller issued the final audit report.<sup>13</sup> On October 1, 2013, claimant filed this IRC.<sup>14</sup> On October 3, 2014, the Controller filed comments on the IRC.<sup>15</sup> On July 31, 2015, Commission staff issued the draft proposed decision.

### **Commission Responsibilities**

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of parameters and guidelines, de novo, without consideration of conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.<sup>16</sup> The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."<sup>17</sup>

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.<sup>18</sup>

<sup>11</sup> Exhibit A, IRC, page 292.

<sup>12</sup> Exhibit A, IRC, pages 262 and 267.

<sup>13</sup> Exhibit A, IRC, page 250.

<sup>14</sup> Exhibit A, IRC.

<sup>15</sup> Exhibit B, Controller's Comments.

<sup>16</sup> *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

<sup>17</sup> *County of Sonoma*, supra, 84 Cal.App.4th 1264, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

<sup>18</sup> *Johnston v. Sonoma County Agricultural Preservation and Open Space District* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

The Commission must also review the Controller’s audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with claimant.<sup>19</sup> In addition, sections 1185.2(c) and 1185.1(f)(3) of the Commission’s regulations require that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.<sup>20</sup>

**Claims**

The following chart provides a brief summary of the claims and issues raised and staff’s recommendation.

Issue	Description	Staff Recommendation
<p>Whether the Controller met the statutory deadline to audit claimant’s 2006-2007 reimbursement claim.</p>	<p>Based on the date the entrance conference occurred (February 15, 2011), claimant asserts that the Controller failed to timely initiate the audit of the 2006-2007 reimbursement claim, filed on February 14, 2008, within the three year statutory deadline required by Government Code section 17558.5.</p> <p>The Controller alleges that it timely initiated the audit within three years of the date the claim was filed based on a telephone phone call to Michael Dencavage, the district’s former Chief Financial Officer, on January 24, 2011.</p> <p>At the time the underlying reimbursement claims were filed, Government Code section 17558.5 stated: A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the Controller no later than three years after the date the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the</p>	<p><i>The audit of the 2006-2007 fiscal year reimbursement claim was not initiated timely.</i></p> <p>Staff finds that the Controller’s assertion that the audit was initiated by a telephone call to the claimant on January 24, 2015, is not supported by evidence in the record and is hearsay. The only fact that is not disputed by the parties and can therefore be considered a “verifiable event” is the date of the entrance conference, February 15, 2011, one day after the time to initiate the audit under the statute expired.</p>

<sup>19</sup> *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

<sup>20</sup> Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission’s decision is not supported by substantial evidence in the record.

	time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed no later than two years after the date the audit is commenced.	
Reductions based on notifications of truancy issued for pupils who had less than three unexcused absences or occurrences of tardiness and for pupils who were under the age of six and over the age of eighteen.	<p>The Controller reduced costs claimed based on notices issued beyond the scope of the mandate.</p> <p>The claimant contends that these notices are eligible for reimbursement.</p>	<p><i>Correct</i> -The claimant’s request for reimbursement to provide truancy notices for pupils with <i>less than three</i> truancy absences or tardies goes beyond the scope of the mandate and is not eligible for reimbursement. In addition, the mandate applies to “any pupil subject to compulsory full-time education.” (Ed. Code, § 48260.) Pupils subject to compulsory full-time education are pupils between the ages of six and eighteen. ((Ed. Code, § 48200.) Therefore, these reductions are correct as a matter of law.</p>
The statistical sampling methodology used by the Controller to determine the amounts to be reduced.	For fiscal years 2007-2008, 2008-2009, and 2009-2010, the claimant issued and claimed reimbursement for 56,073 initial truancy notifications and claimed reimbursement based on the unit cost in the amount of \$901,023. In its audit of 2007-2008, 2008-2009, and 2009-2010 reimbursement claims, the Controller examined a random sample of initial truancy notices distributed by the claimant (884 notifications distributed by elementary and secondary schools), with the calculation of the “sample size based on a 95% confidence level,” and determined that 70 of those notices were claimed beyond the scope of the mandate, as described in the issue above. The number of unallowable notifications within the sample for each fiscal year was then calculated as an error	<p><i>Correct</i> - There is no law or regulation on point that proscribes the Controller’s statistical sampling and extrapolation methodology as an auditing method. Staff finds that this sampling and extrapolation method does not constitute an underground regulation, since there is no evidence that it has been applied generally and that because the confidence level is so high (as discussed below) it is consistent with claimant’s right under article XIII B, section 6, right to reimbursement of all state-mandated costs incurred.</p>

	<p>percentage, and extrapolated to the total number of notifications issued and identified by the claimant in those fiscal years (56,073 notifications), to approximate the total number of unallowable notifications (4,070 notifications), which is less than 10 percent of the notices claimed. The number of unallowable notices was then multiplied by the unit cost for each fiscal year to calculate the total reduction for the three fiscal years at \$71,731.</p> <p>Claimant argues that the use of statistical sampling should be rejected, that the extrapolation of findings is void, and that the audit findings can only pertain to documentation actually reviewed; that is, the 884 notifications examined and the 70 notifications disallowed for insufficient number of absences or tardies to justify the initial notification of truancy and the age of the student. Claimant further argues that the use of the sampling method is an underground regulation.</p>	<p>Such methods must be upheld absent evidence that the results are arbitrary, capricious, or entirely lacking in evidentiary support. No such evidence has been filed here.</p>
--	--	--

**Staff Analysis**

**A. The audit of the 2006-2007 fiscal year reimbursement claim was not timely initiated pursuant to Government Code section 17558.5.**

Claimant signed its reimbursement claim for fiscal year 2006-2007 on February 14, 2008, and the final audit report states that the claim was filed with the Controller’s Office on the same date.<sup>21</sup> At that time, Government Code section 17558.5(a) stated the following:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.<sup>22</sup>

<sup>21</sup> Exhibit A, IRC, pages 262, 284.

<sup>22</sup> Government Code section 17558.5, as last amended by Statutes 2004, chapter 313.

Claimant asserts that the entrance conference was conducted on February 15, 2011, which is one day beyond three years after the date the annual claim was filed.

The Controller's audit report states that the audit of the 2006-2007 reimbursement claim was timely initiated the audit within three years of the date the claim was filed based on a phone call allegedly made on January 24, 2011 to Michael Dencavage, the district's former Chief Financial Officer.<sup>23</sup> Government Code section 17558.5 does not specifically define the event that initiates the audit and, thus, a phone call, a confirming letter, or an entrance conference, are all events that could reasonably be viewed as the initiation date under the statute. However, unlike other agencies that conduct audits and have adopted formal regulations to make it clear when the audit begins, the Controller has not adopted a regulation for the audits of state-mandate reimbursement claims, and in this case, the parties dispute the event that initiated the audit.

The audit initiation provisions of Government Code section 17558.5 are best characterized as a statute of repose, which provides a period during which an audit may be initiated, and after which the claimant may enjoy repose, dispose of any evidence or documentation to support their claims, and assert a defense that the audit is not timely and therefore void. The characteristics of a statute of repose include that it is "not dependent upon traditional concepts of accrual of a claim, *but is tied to an independent, objectively determined and verifiable event...*"<sup>24</sup>

In this case, the Controller's position that the audit was timely initiated with a telephone call relies solely upon a hearsay that is not supported by evidence in the record. Section 1187.5(c) of the Commission's regulations requires that oral or written representations of fact offered by any person shall be under oath or affirmation. All written representations of fact must be signed under penalty of perjury by persons who are authorized and competent to do so and must be based on the declarant's personal knowledge, information, or belief.

The only fact that is not disputed by the parties and can therefore be considered a "verifiable event" is the date of the entrance conference, February 15, 2011, one day after the time to initiate the audit under the statute expired.

Staff finds that the audit of the claimant's reimbursement claim for fiscal year 2006-2007 was initiated after the three year period expired and is therefore not timely initiated within the meaning of Government Code section 17558.5. Staff recommends that the Commission request the Controller to reinstate the \$33,802 reduced from the 2006-2007 reimbursement claim.

**B. The Controller's Reasons for Reducing Costs for Fiscal Years 2007-2008, 2008-2009, and 2009-2010, Are Correct as a Matter of Law and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

For fiscal years 2007-2008, 2008-2009, and 2009-2010, the Controller reduced costs totaling \$71,731 for initial truancy notifications that the Controller determined were not reimbursable. Of the notifications sampled during the audit, 13 notices were determined unallowable because the notices were sent to pupils who had less than three truancy absences or tardiness occurrences, and 57 notices were unallowable because they were sent to pupils under age six or over age

<sup>23</sup> Exhibit A, IRC, p. 262.

<sup>24</sup> *Inco Development Corp. v. Superior Court* (2005) 131 Cal.App.4th 1014. (Emphasis added.)

eighteen who were not subject to the compulsory education requirements of the Education Code.<sup>25</sup>

- 1) Reimbursement is not required to provide truancy notices for pupils with less than three unexcused absences or tardiness occurrences and, thus, the Controller's reduction of costs for those notices is correct.

Section 48260 as amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102) provides that a pupil who is absent or tardy from school without valid excuse “*on three occasions in on school year*” is a truant. The Commission amended the parameters and guidelines effective for costs incurred beginning July 1, 2006, to reflect that the mandate to provide a truancy notification is triggered by a pupil who is absent or tardy from school without valid excuse on three occasions in one school year and these parameters and guidelines apply to this IRC.

Staff finds that the claimant's request for reimbursement to provide truancy notices for pupils with less than three truancy absences or tardies goes beyond the scope of the mandate and is not eligible for reimbursement. Accordingly, the Controller's reduction of costs for notices provided to students with less than three truancy absences or tardiness occurrences is correct as a matter of law.

- 2) Reimbursement is not required to provide truancy notices to pupils who are under the age of six and over the age of eighteen, who have unexcused absences or tardiness occurrences and, thus, the Controller's reduction of costs for those notices is correct.

The Controller also found that the claimant sent 57 notices within the audit sample, to pupils under age six or over age eighteen who were not subject to the compulsory education requirements of the Education Code or the *Notification of Truancy* mandate. The claimant asserts that notifications of truancy sent to students under age six and over age eighteen should be reimbursable because the Education Code provides that those students are statutorily entitled to attend school. Claimant further contends that school districts are required by Education Code section 46000 to record, keep attendance, and report absences of all pupils according to the CDE regulations. These regulations provide that records of attendance of every pupil shall be kept for apportionment of state funds and to ensure general compliance with the compulsory education law.<sup>26</sup>

School districts were required by state law to admit a child to kindergarten if the child would have his or her fifth birthday on or before December 2 of that school year,<sup>27</sup> are required by state and federal law to provide special education services to “individuals with exceptional needs” until the age of 21 if required by a pupil's individualized education plan (IEP),<sup>28</sup> and are required by state law to record the attendance of every pupil enrolled in school for apportionment of state

<sup>25</sup> Exhibit A, IRC 13-904133-I-11, pages 258 (these numbers do not reflect the disallowed notices in fiscal year 2006-2007).

<sup>26</sup> Exhibit A, IRC, pages 18-22.

<sup>27</sup> Education Code section 48000(a), as last amended by Statutes 1991, chapter 381.

<sup>28</sup> Title 20, United States Code, section 1401; Education Code section 56026.



funds and “to ensure the *general* compliance with the compulsory education law, and performance by a pupil of his duty to attend school regularly as provided in [California Code of Regulations, title 5] section 300.”<sup>29</sup> However, the truancy laws apply only to “any pupil subject to compulsory full-time education.” (Ed. Code § 48260(a).) “Compulsory full-time education” is defined in Education Code section 48200 as “each person between the ages of six and eighteen years” (Ed. Code § 48200.)

Therefore, the Controller’s reduction of costs for truancy notices provided to students younger than six and older than eighteen, who are not subject to compulsory full-time education, is correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.

**C. The Controller’s Reductions Based on Statistical Sampling and Extrapolation in this Case Are Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support and Are, Therefore, Correct.**

In its audit of 2007-2008, 2008-2009, and 2009-2010 reimbursement claims, the Controller examined a random sample of initial truancy notices distributed by the claimant for each fiscal year (totaling 884 notifications distributed by elementary and secondary schools)<sup>30</sup>, with the calculation of the “sample size based on a 95% confidence level,” and determined that 70 of those notices were claimed beyond the scope of the mandate, as described in the issue above. The number of unallowable notifications within the sample for each fiscal year was then calculated as an error percentage, and extrapolated to the total number of notifications issued and identified by the claimant in those fiscal years (56,073 notifications), to approximate the total number of unallowable notifications (4,070 notifications), which is less than 10 percent of the notices claimed. The number of unallowable notices was then multiplied by the unit cost for each fiscal year to calculate the total reduction for the three fiscal years at \$71,731. Since the Controller has not actually reviewed all 56,073 notifications and the records associated with those notices during these fiscal years, the Controller’s methodology results in an estimate based on statistical probabilities of the amount of costs claimed beyond the scope of the mandate and that the Controller has determined to be excessive or unreasonable. The Controller states that the estimated reduction of costs has an “adjustment range” with a 95 percent confidence level and that reduction taken represents best the point estimate.

Claimant asserts that the use of statistical sampling should be rejected and that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not

<sup>29</sup> Education Code section 46000; California Code of Regulations, title 5, section 400. Section 300 of the regulations state in relevant part that “every pupil shall attend school punctually and regularly.”

<sup>30</sup> The sample sizes for elementary schools and the sample sizes for secondary schools that were reviewed by the Controller each fiscal year ranged from 146 to 148. The sample sizes for elementary and secondary schools were separately calculated because elementary schools took daily attendance and secondary schools took period attendance. (Exhibit A, IRC, page 259 (final audit report); Exhibit B, Controller’s Comments on IRC, page 28.

be representative of the universe. Claimant further asserts that the Controller's failure to adopt statistical sampling as a regulation renders its use void.<sup>31</sup>

The Controller counters that sampling and extrapolation is an audit tool commonly used to identify error rates, and that there is no law or regulation prohibiting that method; and, that claimant misstates and misunderstands the meaning of an expected error rate and confidence interval. The Controller argues that its method is reasonable, and "the Administrative Procedures Act is not applicable."<sup>32</sup>

Staff finds that sampling and extrapolation as a methodology to identify a dollar figure for an audit adjustment in this case is within the Controller's audit authority, is not applied generally in the manner of a regulation, and there is no evidence that the reduction is arbitrary, capricious, or entirely lacking in evidentiary support.

1. There is no evidence to support claimant's argument that the statistical sampling and extrapolation method used in the audit of the claimant's reimbursement claims constitutes an underground regulation.

Even if the Controller's audit authority under the Government Code and case law is broad enough to encompass statistical sampling and extrapolation methods, the claimant has also challenged the methodology as a regulation not adopted pursuant to the Administrative Procedure Act (APA), to which the Controller responds that the APA is "not applicable."<sup>33</sup> The provisions of the APA on which the claimant relies include, primarily, Government Code sections 11340.5 and 11342.600. Section 11342.600 provides a definition of "regulation," including "...every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation, order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure."<sup>34</sup> Section 11340.5 prohibits any state agency from issuing, utilizing, enforcing, or attempting to enforce any guideline or rule that fits within the definition of "regulation" unless it has been adopted pursuant to the APA. Therefore, if the Controller's challenged audit methods constitute a regulation not adopted pursuant to the APA, the Commission cannot uphold the reductions.

The California Supreme Court in *Tidewater Marine Western v. Bradshaw* found that a regulation has two principal characteristics:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule

<sup>31</sup> Exhibit A, IRC, pages 15-16.

<sup>32</sup> Exhibit B, Controller's Comments, page 16.

<sup>33</sup> Exhibit C, Controller's Comments, page 17.

<sup>34</sup> Government Code section 11342.600 (Stats. 2000, ch. 1060).

must “implement, interpret, or make specific the law enforced or administered by [the agency], or ... govern [the agency's] procedure.”<sup>35</sup>

The necessary inquiry, then, is whether the challenged audit policy or practice is applied “generally,” and used to decide a class of cases; and whether the rule “implement[s], interpret[s], or make[s] specific” the law administered by the Controller. Here, that presents a close question, which turns on the issue of general applicability.<sup>36</sup>

In *Clovis Unified School District v. Chiang*, the court held that the Controller’s contemporaneous source document rule, which was contained solely in the Controller’s claiming instructions and not adopted in the regulatory parameters and guidelines, was applied *generally* to audits of all reimbursement claims for certain programs, in that individual auditors had no discretion to judge on a case-by-case basis whether to apply the rule.<sup>37</sup> As noted below, in the Medi-Cal audit context, the courts found a sampling and extrapolation methodology in that case invalid solely because of the failure of the Department of Health Services to adopt its methodology in accordance with the APA. However, the methodology was upheld once APA compliance had been achieved.

Here, unlike *Clovis Unified* however, the sampling and extrapolation method is not published in the claiming instructions for this mandate; nor is it alleged that auditors were *required* to utilize such methods. Indeed, of the 42 completed audit reports for this mandated program currently available on the Controller’s website, some do not apply a statistical sampling and extrapolation methodology to calculate a reduction;<sup>38</sup> others apply a sampling and extrapolation method to determine whether the notifications issued complied with the eight required elements under section 48260.5;<sup>39</sup> and still others use sampling and extrapolation methods to determine the proportion of notifications issued that were supported by documentation, including attendance records, rather than the proportion unallowable based on absences, as here.<sup>40</sup>

<sup>35</sup> *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571 (emphasis added) [Citing *Roth v. Department of Veteran Affairs* (1980) 110 Cal.App.3d 622, 630; Gov. Code § 11342(g)].

<sup>36</sup> See *Taye v. Coye* (1994) 29 Cal.App.4th 1339, 1345 [Finding that an auditor’s decision was not an underground regulation where it was “designed to fit the particular conditions that were encountered upon arrival at the audit site.”].

<sup>37</sup> 188 Cal.App.4th at page 803.

<sup>38</sup> See, e.g., Audit of Sweetwater Union High School District, *Notification of Truancy*, fiscal years 2006-2007 through 2009-2010 [In this audit report the Controller reduced based on the claimant’s failure to comply with the notification requirements of section 48260.5, rather than performing a sampling and estimation audit to determine whether notifications were issued in compliance with section 48260.]

<sup>39</sup> See, e.g., Audit of Colton Joint Unified School District, *Notification of Truancy*, fiscal years 1999-2000 through 2001-2002, issued November 26, 2003.

<sup>40</sup> See, e.g., Audit of Bakersfield City School District, *Notification of Truancy*, fiscal years 2007-2008 through 2009-2010, issued October 25, 2012

Therefore, based on the case law discussed above, and the evidence in the record, staff finds that the Controller's sampling and extrapolation method, as applied in this case, is not a regulation within the meaning of the APA.

2. The Controller has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, so long as those methods do not constitute underground regulations, and the audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The claimant argues that there is no statutory or regulatory authority for the Controller to reduce claimed costs based on extrapolation from a statistical sample. The Controller counters that "[t]here is no prohibitive language contained in statute..." and that no legal authority dictates "specific auditing tests to perform..." or requires the Controller "to provide claimants 'notice' that the SCO will use sampling techniques."<sup>41</sup>

The Controller correctly states that there is no express prohibition in law or regulation of statistical sampling and extrapolation methods being used in an audit. Indeed, the Controller's authority to audit is commonly described in the broadest terms: article XVI, section 7 states that "Money may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant."<sup>42</sup> Government Code section 12410 provides that the Controller "shall superintend the fiscal concerns of the state..." and "shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."<sup>43</sup>

With respect to mandate reimbursement, the Controller's audit authority is more specifically articulated. Article XIII B, section 6 provides that "the State shall provide a subvention of funds to reimburse...local government for the costs of the program or increased level of service..." whenever the Legislature or a state agency mandates a new program or higher level of service. However, section 17561 also provides that the Controller may audit the records of any local agency or school district to verify the amount of mandated costs, and may reduce any claim that the Controller determines is excessive or unreasonable, and also provide for the Controller to audit "[t]he application of a reasonable reimbursement methodology..."<sup>44</sup> The parameters and guidelines for the *Notification of Truancy* mandate predate the statutory authorization for a "reasonable reimbursement methodology," as defined in sections 17518.5 and 17557; however, a unit cost, which was adopted for this program, is included within the definition of a "reasonable reimbursement methodology."<sup>45</sup> Thus the Controller's audit authority pursuant to section 17561 expressly authorizes an audit of a claim based on a unit cost reimbursement scheme. The

<sup>41</sup> Exhibit C, Controller's Comments, page 17.

<sup>42</sup> California Constitution, article XVI, section 7 (added November 5, 1974, by Proposition 8).

<sup>43</sup> Statutes 1968, chapter 449.

<sup>44</sup> As amended by Statutes 2009, 3d Extraordinary Session, chapter 4.

<sup>45</sup> Government Code section 17518.5 (added, Stats. 2004, ch. 890); Government Code section 17557 (as amended, Stats. 2004, ch. 890; Stats. 2007, ch. 329).

statutes, however, do not address how the Controller is to audit and verify the costs mandated by the state.

Accordingly, the Controller cites to “Government Auditing Standards, as issued by the Comptroller General of the United States...” which, the Controller asserts, “specify that auditors may use professional judgment in ‘selecting the methodology, determining the type and amount of evidence to be gathered, and choosing the tests and procedures for their work.’”<sup>46</sup> While the standards cited do not provide *expressly* for statistical sampling and extrapolation to be applied to mandate reimbursement, they do provide for statistical methods to be used to establish the sufficiency, or validity of evidence.<sup>47</sup>

In fact, statistical sampling methods such as those employed here are used in a number of other contexts and have not been held, in themselves, to be arbitrary and capricious, or incorrect as a matter of law. For example, the Department of Health Services has used statistical sampling and extrapolation to determine the amount of over- or under-payment in the context of Medi-Cal reimbursement to health care providers.<sup>48</sup> The methods used by the Department of Health Services were disapproved by the courts only on the ground that they constituted a regulation not adopted in accordance with the APA (as discussed above), rather than on the substantive question whether statistical sampling and extrapolation was a permissible methodology for auditing.<sup>49</sup>

In addition to the Medi-Cal reimbursement context, the courts have declined to reject the use of statistical sampling and extrapolation to calculate damages due to plaintiffs in a class action or other mass tort action.<sup>50</sup> And, in a case addressing audits of county welfare agencies, the court declined to consider whether the sampling and extrapolation procedures were legally proper, instead finding that counties were not required to be solely responsible for errors “which seem to be inherent in public welfare administration.”<sup>51</sup>

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,<sup>52</sup> staff finds that the Controller has the authority to audit a reimbursement claim based on statistical sampling and extrapolation and that such methods (to the extent that they do not impose an underground regulation) must be upheld absent evidence that the audit reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

3. There is no evidence in the record that the Controller’s findings using the sampling and extrapolation methodology are not representative of all notices claimed by the district

<sup>46</sup> Exhibit C, Controller’s Comments, page 17.

<sup>47</sup> Exhibit X, Excerpt from Government Auditing Standards, 2003, page 13.

<sup>48</sup> *Grier v. Kizer* (1990) 219 Cal.App.3d 422; *Union of American Physicians and Dentists v. Kizer* (1990) 223 Cal.App.3d 490.

<sup>49</sup> E.g., *Grier, supra*, 219 Cal.App.3d, pages 439-440.

<sup>50</sup> See, e.g., *Bell v. Farmers Insurance Exchange* (2004) 115 Cal.App.4th 715.

<sup>51</sup> *County of Marin v. Martin* (1974) 43 Cal.App.3d 1, 7.

<sup>52</sup> Government Code section 12410 (Stats. 1968, ch. 449).

during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

In addition to challenging the legal sufficiency of the Controller's sampling and extrapolation methodology, the claimant also challenges the qualitative and quantitative reliability and fairness of using statistical sampling and extrapolation to evaluate reimbursement. The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. In this respect, the claimant asserts that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age, and, thus, the extrapolation from the samples would not be representative of the universe. The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because less than two percent of the total number of notices were audited, the stated precision rate was plus or minus 8 percent even though the sample size (ranging from 146 to 148) is essentially identical for all four fiscal years, and that the audited number of notices claimed for daily accounting (elementary schools) in fiscal year 2006-2007 (8,680) is 45 percent larger than the size in fiscal year 2009-2010 (6,006). The claimant concludes by stating that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted \$105,533 [for the entire audit period, including fiscal year 2006-2007] is really just a number exactly between [the adjustment range]."

The Controller disagrees with the claimant's assertions that the sampling is non-representative of all notices claimed. The Controller states that "the fact that a particular student's initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population." Applying the statistical formula used by the Controller to the population of elementary and secondary notices in this case, with a 50 percent expected error rate (the "most conservative sample size estimate" when an error rate is not known) and a desired eight percent margin of error, as stated in the audit report, shows that an appropriate sample size for each level of elementary and secondary schools is between 146 and 148 notices for populations ranging from 6,006 to 8,680 notifications issued by elementary schools, and 8,837 to 11,197 notifications issued by secondary schools during the audit period.

Moreover, there is no evidence in the record that the results are biased or unrepresentative as asserted by claimant. There is no dispute that the samples were randomly obtained and reviewed by the Controller. According to the *Handbook of Sampling for Auditing and Accounting* (Arkin), all notices randomly sampled have an equal opportunity for inclusion in the sample and, thus, the result is statistically objective and unbiased. Moreover, absent evidence, the Commission and the Controller must presume that the schools within the claimant's district complied with the mandate in the same way.

In addition, when excluding the figures for fiscal year 2006-2007, the adjustment range for the population's true error rate within the 95 percent confidence interval for the remaining fiscal years is \$36,854, added or subtracted from the point estimate (the amount reduced in those years) of \$71,731. Although there is a possibility that the reduction of \$71,731 may provide more reimbursement or less reimbursement to the claimant than the actual costs correctly claimed, it represents the statistically best estimate of unallowable costs based on a 95 percent confidence level. And the adjustment range of \$36,854 for the costs reduced represents just four percent

plus or minus of the total amount claimed in fiscal years 2007-2008, 2008-2009, and 2009-2010 (\$901,023).

Based on the analysis above, staff finds that the Controller's reduction of costs based on a statistical sampling method in this case, is not arbitrary, capricious, or entirely lacking in evidentiary support.

### **Conclusion**

Pursuant to Government Code section 17551(d) and section 1185.9 of the Commission's regulations, staff finds that the Controller's audit of the 2006-2007 reimbursement claim was not timely initiated within the meaning of Government Code section 17558.5 and, thus, the audit reductions for that fiscal year (\$33,802) are void and should be reinstated to the claimant.

Staff further finds that the reduction of \$71,731 claimed for notices distributed for pupils who had less than three unexcused absences or tardiness occurrences and for pupils who were not subject to the compulsory education laws in fiscal years 2007-2008, 2008-2009, and 2009-2010, is correct as a matter of law, and is not arbitrary, capricious, or entirely lacking in evidentiary support.

### **Staff Recommendation**

Staff recommends that the Commission adopt the proposed decision to partially approve the IRC, request the Controller to reinstate \$33,802 for the 2006-2007 fiscal year pursuant to section 1185.9 of the Commission's regulations, and authorize staff to make any technical, non-substantive changes following the hearing.

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE INCORRECT REDUCTION CLAIM  
ON:

Education Code section 48260.5

Statutes 1983, Chapter 498; Statutes 1994,  
Chapter 1023; Statutes 1995, Chapter 19

Fiscal Years 2006-2007 through 2009-2010

San Juan Unified School District, Claimant.

Case No.: 13-904133-I-11

*Notification Of Truancy*

DECISION PURSUANT TO  
GOVERNMENT CODE SECTION 17500 ET  
SEQ.; CALIFORNIA CODE OF  
REGULATIONS, TITLE 2, DIVISION 2,  
CHAPTER 2.5. ARTICLE 7

*(Adopted: September 25, 2015)*

**DECISION**

The Commission on State Mandates (Commission) heard and decided this incorrect reduction claim (IRC) during a regularly scheduled hearing on September 25, 2015. [Witness list will be included in the adopted decision.]

The law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., and related case law.

The Commission [adopted/modified] the proposed decision to [approve/partially approve/deny] this IRC at the hearing by a vote of [vote count will be included in the adopted decision].

**Summary of the Findings**

This IRC addresses reductions made by the State Controller's Office (Controller) to reimbursement claims filed by San Juan Unified School District for fiscal years 2006-2007 through 2009-2010, for the *Notification of Truancy* program. The Commission partially approves this IRC.

The Commission finds that the Controller's audit of the 2006-2007 reimbursement claim was not timely initiated by the Controller within the meaning of Government Code section 17558.5 and, thus, the audit reductions for that fiscal year (\$33,802) are void and should be reinstated to the claimant.

The Commission further finds that the remaining reduction of costs (\$71,731) for fiscal years 2007-2008, 2008-2009, and 2009-2010 is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support. The claimant's request for reimbursement to provide initial truancy notices for pupils with less than three truancy absences or tardies, or for students who are under the age of six and over the age of eighteen, goes beyond the scope of the mandate and is not eligible for reimbursement.



Staff further finds that that the Controller's calculation of reductions based on estimation sampling and extrapolation is not inconsistent with the requirement of article XIII B, section 6 that local governments are entitled to reimbursement of all costs mandated by the state, nor does the Controller's application of this methodology in this instance constitute an illegal underground regulation. Finally, staff finds that there is no evidence in the record that the Controller's findings using the sampling and extrapolation methodology are not representative of all notices claimed during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

## **COMMISSION FINDINGS**

### **I. Chronology**

- 02/14/2008 Claimant signed reimbursement claim for fiscal year 2006-2007.<sup>53</sup>
- 02/11/2009 Claimant signed reimbursement claim for fiscal year 2007-2008.<sup>54</sup>
- 02/10/2010 Claimant signed reimbursement claim for fiscal year 2008-2009.<sup>55</sup>
- 02/14/2011 Claimant signed reimbursement claim for fiscal year 2009-2010.<sup>56</sup>
- 02/15/2011 The entrance conference for the audit was conducted.<sup>57</sup>
- 11/30/2011 Controller issued the final audit report.<sup>58</sup>
- 10/01/2013 Claimant filed this IRC.<sup>59</sup>
- 10/03/2014 The Controller filed comments on the IRC.<sup>60</sup>
- 07/31/2015 Commission staff issued the draft proposed decision.<sup>61</sup>

<sup>53</sup> Exhibit A, IRC, page 284.

<sup>54</sup> Exhibit A, IRC, page 287.

<sup>55</sup> Exhibit A, IRC, page 290.

<sup>56</sup> Exhibit A, IRC, page 292.

<sup>57</sup> Exhibit A, IRC, pages 262 and 267.

<sup>58</sup> Exhibit A, IRC, page 250.

<sup>59</sup> Exhibit A, IRC.

<sup>60</sup> Exhibit B, Controller's Comments.

<sup>61</sup> Exhibit C, Draft Proposed Decision.

## II. Background

### The Notification of Truancy Program

Under California's compulsory education laws, children between the ages of six and 18 are required to attend school full-time, with a limited number of specified exceptions.<sup>62</sup> Once a pupil is designated a truant, as defined, state law requires schools, districts, counties, and the courts to take progressive intervention measures to ensure that parents and pupils receive services to assist them in complying with the compulsory attendance laws.

The first intervention is required by Education Code section 48260.5, as added by the test claim statute.<sup>63</sup> As originally enacted, section 48260.5 specified:

§ 48260.5. Notice to parent or guardian; alternative educational programs; solutions

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

(1) That the pupil is truant.

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

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

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

(1) Alternative educational programs available in the district.

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

On November 29, 1984, the Board of Control determined that Education Code section 48260.5, as added by Statutes 1983, chapter 498, imposed a reimbursable state-mandated program to develop notification forms and provide written notice to the parents or guardians of the truancy. The decision was summarized as follows:

The Board determined that the statute imposes costs by requiring school districts to develop a notification form, and provide written notice to the parents or guardians of students identified as truants of this fact. It requires that notification contain other specified information and, also, to advise the parent or guardian of

<sup>62</sup> Education Code section 48200.

<sup>63</sup> Education Code section 48260.5, Statutes 1983, chapter 498.

their right to meet with school personnel regarding the truant pupil. The Board found these requirements to be new and not previously required of the claimant.<sup>64</sup>

The original parameters and guidelines were adopted on August 27, 1987, and authorized reimbursement for the one-time activities of planning implementation, revising school district policies and procedures, and designing and printing the forms. Reimbursement was also authorized for ongoing activities to identify pupils to receive the initial notification and prepare and distribute the notification by first class mail or other reasonable means.

The Commission amended the parameters and guidelines on July 22, 1993, effective for reimbursement claims filed beginning in fiscal year 1992-1993, to add a unit cost of \$10.21, adjusted annually by the Implicit Price Deflator, for each initial notification of truancy distributed in lieu of requiring the claimant to provide documentation of actual costs to the Controller. The parameters and guidelines further provide that “school districts incurring unique costs within the scope of the reimbursable mandated activities may submit a request to amend the parameters and guidelines to the Commission for the unique costs to be approved for reimbursement.”<sup>65</sup>

The Legislature enacted Statutes 2007, chapter 69, effective January 1, 2008, which was sponsored by the Controller’s Office to require the Commission to amend the parameters and guidelines, effective July 1, 2006, to modify the definition of a truant and the required elements to be included in the initial truancy notifications in accordance with Statutes 1994, chapter 1023, and Statutes 1995, chapter 19.<sup>66</sup> These statutes required school districts to add the following information to the truancy notification: that the pupil may be subject to prosecution under Section 48264, that the pupil may be subject to suspension, restriction, or delay of the pupil’s driving privilege pursuant to Section 13202.7 of the Vehicle Code, and that it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. The definition of truant was also changed from a pupil absent for “more than three days” to a pupil absent for “three days.” In 2008, the Commission amended the parameters and guidelines, for costs incurred beginning July 1, 2006, as directed by the Legislature. These are the parameters and guidelines applicable to this claim.

#### The Controller’s Audit and Summary of the Issues

The November 30, 2011 audit report determined that \$1,086,513 in claimed costs was allowable and \$105,533 was unallowable.<sup>67</sup>

The Controller found that the district claimed \$105,533 during the audit period for initial truancy notifications that the Controller determined were not reimbursable because a certain number of notices were sent to pupils under six or over eighteen who were not subject to the compulsory education requirements of the Education Code. The Controller also found that a certain number

<sup>64</sup> Exhibit X, Brief Written Statement for Adopted Mandate issued by the Board of Control on the *Notification of Truancy* test claim (SB 90-4133).

<sup>65</sup>Exhibit A, IRC, page 69.

<sup>66</sup> Exhibit X, Controller’s Letter dated July 17, 2007 on AB 1698.

<sup>67</sup> Exhibit A, IRC 13-904133-I-11, page 251.

of notices were sent to pupils who had less than three absences as truancy is defined in the parameters and guidelines.<sup>68</sup>

The Controller reached the dollar amount reduced by using an audit methodology known as “statistical sampling.” The Controller examined a random sample of initial truancy notices distributed by the claimant<sup>69</sup>, with the calculation of the “sample size based on a 95% confidence level,” and determined that 70 of those notices were claimed beyond the scope of the mandate, as described in the issue above.<sup>70</sup> The number of unallowable notifications within the sample for each fiscal year was then calculated as an error percentage, and extrapolated to the total number of notifications issued and identified by the claimant in those fiscal years, to approximate the total number of unallowable notifications claimed. The number of unallowable notices was then multiplied by the unit cost for each fiscal year to calculate the total reduction for the audit period.

### **III. Positions of the Parties**

#### San Juan Unified School District

Claimant argues that the Controller did not timely initiate the audit of the 2006-2007 fiscal year reimbursement claim and, thus, the reduction of costs for that year is void.

Claimant then challenges the Controller’s disallowance of notifications sent to pupils under age six and over age eighteen because the Education Code allows these student to attend school and requires school districts to provide educational services to these pupils.<sup>71</sup> Claimant also asserts that the Controller’s use of statistical sampling is flawed.

Claimant also asserts that the use of statistical sampling should be rejected, that the extrapolation of findings is void, and that the audit findings can only pertain to documentation actually reviewed.<sup>72</sup> The claimant attacks the statistical reliability and accuracy of the Controller’s methodology, arguing that “[t]esting to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here.”<sup>73</sup> The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe.<sup>74</sup> The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because less than two percent of

<sup>68</sup> Exhibit A, IRC 13-904133-I-11, page 258.

<sup>69</sup> The sample sizes for elementary schools and the sample sizes for secondary schools that were reviewed by the Controller each fiscal year ranged from 146 to 148. (Exhibit A, IRC, page 259 (final audit report); Exhibit B, Controller’s Comments on IRC, page 28.

<sup>70</sup> Exhibit B, Controller’s Comments on IRC, pages 16 and 28.

<sup>71</sup> Exhibit A, IRC, pages 18-22; claimant initially challenged the disallowance of notifications sent to students with less than three absences but withdrew that contention.

<sup>72</sup> Exhibit A, IRC, pages 10-11.

<sup>73</sup> Exhibit A, IRC, page 14.

<sup>74</sup> Exhibit A, IRC, page 15.

the total number of notices were audited and that “[t]he expected error rate is stated to be 50%, which means the total amount adjusted \$105,533 is really just a number exactly between [the adjustment range]” and that “[a]n interval of possible outcomes cannot be used as a finding of absolute actual cost.”<sup>75</sup> Claimant further asserts that the Controller’s failure to adopt statistical sampling as a regulation renders its use void.<sup>76</sup>

#### State Controller’s Office

The Controller asserts that it timely initiated the audit of the 2006-2007 reimbursement claim pursuant to Government Code section 17558.5 with a phone call.

The Controller also asserts that claimant is not entitled to claim reimbursement for notices sent to students under age six or over age eighteen as these students are not subject to compulsory full time education, as defined in Education Code section 48200, and are thus not part of the mandated program. The Controller further contends that its use of statistical sampling is a recognized audit methodology that “project[s] each sample’s results to the applicable population.”<sup>77</sup> The Controller supports its use of statistical sampling by referring to an auditing handbook which specifically recommends the use of statistical sampling to “determine the frequency of an occurrence or type of item. . . .” And the Controller asserts that is how statistical sampling is used here – to sample literally tens of thousands of individual documents, the notifications of truancy issued by claimant.<sup>78</sup>

#### **IV. Discussion**

Government Code section 17561(b) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state mandated costs that the Controller determines is excessive or unreasonable.

Government Code Section 17551(d) requires the Commission to hear and decide a claim that the SCO has incorrectly reduced payments to a local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission’s regulations requires the Commission to send the decision to the SCO and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of the parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.<sup>79</sup> The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the

<sup>75</sup> Exhibit A, IRC, page 16.

<sup>76</sup> Exhibit A, IRC, pages 15-16.

<sup>77</sup> Exhibit B, page 12.

<sup>78</sup> Exhibit B, Controller’s Comments, page 13.

<sup>79</sup> *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

Commission must strictly construe article XIII B, section 6 and not apply it as an “equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities.”<sup>80</sup>

With regard to the Controller’s audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.<sup>81</sup> Under this standard, the courts have found that:

When reviewing the exercise of discretion, “[t]he scope of review is limited, out of deference to the agency’s authority and presumed expertise: ‘The court may not reweigh the evidence or substitute its judgment for that of the agency. [Citation.]’”...“In general...the inquiry is limited to whether the decision was arbitrary, capricious, or entirely lacking in evidentiary support...” [Citations.] When making that inquiry, the “ ‘ ‘court must ensure that an agency has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, the choice made, and the purposes of the enabling statute.’ ”<sup>82</sup>

The Commission must review the Controller’s audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with claimant.<sup>83</sup> In addition, section 1185.1(f)(3) and 1185.2(c) of the Commission’s regulations requires that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission’s ultimate findings of fact must be supported by substantial evidence in the record.<sup>84</sup>

**A. The audit of the 2006-2007 fiscal year reimbursement claim was not timely initiated pursuant to Government Code section 17558.5.**

Claimant’s reimbursement claim for fiscal year 2006-2007 was signed on February 14, 2008, and the final audit report states that the claim was filed with the Controller’s Office on the same date.<sup>85</sup> At that time, Government Code section 17558.5(a) stated the following:

<sup>80</sup> *County of Sonoma, supra*, 84 Cal.App.4th 1264, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

<sup>81</sup> *Johnston v. Sonoma County Agricultural Preservation and Open Space District* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

<sup>82</sup> *American Bd. of Cosmetic Surgery, Inc, supra*, 162 Cal.App.4th at pages 547-548.

<sup>83</sup> *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

<sup>84</sup> Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission’s decision is not supported by substantial evidence in the record.

<sup>85</sup> Exhibit A, IRC, pages 262, 284.

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.<sup>86</sup>

Claimant asserts that “the entrance conference was conducted on February 15, 2011, which is [one day] more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.”<sup>87</sup> Claimant therefore alleges that the audit reductions for fiscal year 2006-2007 are void.

The Controller’s audit report states that it timely initiated the audit within three years of the date the claim was filed based on a phone call allegedly made on January 24, 2011, as follows:

The SCO initiated the audit on January 24, 2011, by telephone call to Michael Dencavage, the district’s former Chief Financial Officer. On the same date, we requested supporting documentation from the district and the district responded that it was retrieving the requested documentation. Therefore, the SCO initiated the audit within three years of the date that the district filed its claim.<sup>88</sup>

In addition, the Controller’s comments on the IRC include a declaration from Mr. Jim Spano, Chief of the Mandated Cost Audits Bureau, that the audit was initiated on January 24, 2011. The declaration does not otherwise reference the telephone call or provide any written documentation that the telephone call was made.<sup>89</sup>

As indicated above, payment was made for this program to the claimant on March 12, 2007, for the fiscal year 2006-2007 costs. Thus, the first sentence of Government Code section 17558.5 controls, and requires the Controller to initiate the audit “no later than three years after the date that the actual reimbursement claim is filed.” Since the reimbursement claim was filed on February 14, 2008, the Controller had until February 14, 2011 to initiate the audit. However, the Commission must determine the event which constitutes the initiation of an audit for purposes of section 17558.5 in this case, because the difference between a January 24, 2011 telephone call and the February 15, 2011 entrance conference is dispositive of the question whether the

<sup>86</sup> Government Code section 17558.5, as last amended by Statutes 2004, chapter 313.

<sup>87</sup> Exhibit A, IRC, page ; see also Exhibit B, Controller’s Comments on IRC, page 31, for the remittance advice issued to the claimant on March 12, 2007, showing an approved payment amount to the claimant for the *Notification of Truancy* program of \$54,550, and a net payment amount of \$35,363 to reflect offsets for fiscal year 2006-2007.

<sup>88</sup> Exhibit A, IRC, page 262.

<sup>89</sup> Exhibit B, Controller’s Comments, page 5.

Controller met the three-year deadline to initiate the audit of the 2006-2007 reimbursement claim by February 14, 2011, pursuant to Government Code section 17558.5.

Government Code section 17558.5 does not specifically define the event that initiates the audit and, thus, a phone call, a confirming letter, or an entrance conference, are all events that could reasonably be viewed as the initiation date under the statute. However, unlike other agencies that conduct audits and have adopted formal regulations to make it clear when the audit begins, the Controller has not adopted a regulation for the audits of state-mandate reimbursement claims, and in this case, the parties dispute the event that initiated the audit.<sup>90</sup>

An audit of mandate reimbursement claims is not a civil action subject to a statute of limitations, and in any event the California Supreme Court has held that “the statutes of limitations set forth in the Code of Civil Procedure...do not apply to administrative proceedings.”<sup>91</sup> Government Code section 17558.5 requires the Controller to initiate an audit within three years after the date that the actual reimbursement claim is filed or last amended, whichever is later, or within three years of the date the claim is first paid. The requirement to timely initiate an audit therefore requires a unilateral act of the Controller. And failure to timely initiate the audit within the three-year deadline is a jurisdictional bar to any reductions made by the Controller of claimant’s reimbursement claims.

In this respect, the initiation provisions of Government Code section 17558.5 are better characterized as a statute of repose, rather than a statute of limitations. The statute provides a period during which an audit may be initiated, and after which the claimant may enjoy repose, dispose of any evidence or documentation to support their claims, and assert a defense that the audit is not timely and therefore void.<sup>92</sup> The courts have described a statute of repose as the

<sup>90</sup> See, e.g., regulations adopted by the California Board of Equalization (title 18, section 1698.5, stating that an “audit engagement letter” is a letter “used by Board staff to confirm the start of an audit or establish contact with the taxpayer”).

<sup>91</sup> *Coachella Valley Mosquito and Vector Control District v. Public Employees’ Retirement System* (2005) 35 Cal.4th 1072, 1088 [citing *City of Oakland v. Public Employees’ Retirement System* (2002) 95 Cal.App.4th 29; *Robert F. Kennedy Medical Center v. Department of Health Services* (1998) 61 Cal.App.4th 1357, 1361-1362 (finding that Code of Civil Procedure sections 337 and 338 were not applicable to an administrative action to recover overpayments made to a Medi-Cal provider); *Little Co. of Mary Hospital v. Belshe* (1997) 53 Cal.App.4th 325, 328-329 (finding that the three year audit requirement of hospital records is not a statute of limitations, and that the statutes of limitations found in the Code of Civil Procedure apply to the commencement of civil actions and civil special proceedings, “which this was not”); *Bernd v. Eu, supra* (finding statutes of limitations inapplicable to administrative agency disciplinary proceedings)].

<sup>92</sup> Courts have ruled that when a deadline is for the protection of a person or class of persons, and the language of the statute as a whole indicates the Legislature’s intent to enforce the deadline, the deadline is mandatory. (*People v. McGee* (1977) 19 Cal.3d 948, 962, citing *Morris v. County of Marin* (18 Cal.3d 901, 909-910). In this respect, the deadlines in Government Code section 17558.5 are mandatory and not directory, making the requirement to meet the statutory deadline jurisdictional.



period that “begins when a specific event occurs, regardless of whether a cause of action has accrued or whether any injury has resulted,” and that “a statute of repose thus is harsher than a statute of limitations in that it cuts off a right of action after a specified period of time, irrespective of accrual or even notice that a legal right has been invaded.”<sup>93</sup> The characteristics of a statute of repose include that it is “not dependent upon traditional concepts of accrual of a claim, *but is tied to an independent, objectively determined and verifiable event...*”<sup>94</sup> Whether analyzed as a statute of repose, or a statute of limitations, the act or event that must occur before the expiration of the statutory period (which is also the event that begins the procedural limitation period) may be interpreted similarly. That is, the filing of a civil action may be interpreted analogously to the initiation of an audit, to the extent that the initiation of the audit, like the commencement of a civil action, terminates the running of the statutory period, and vests authority in the party to proceed.<sup>95</sup>

In this case, the Controller’s position that the audit was timely initiated relies solely upon a factual assertion provided in the audit report that a telephone call was made to the claimant’s former Chief Financial Officer Michael Dencavage on January 24, 2011. Jim Spano, in his declaration accompanying the Controller’s comments on the IRC, also asserts that the audit was initiated on January 24, 2011, but does not state the event that initiated the audit or make any references of having personal knowledge of a telephone call. These assertions are out-of-court hearsay statements that are not supported by any evidence in the record. There is no evidence showing who from the Controller’s Office made the call, or that contact with the claimant was actually made on January 24, 2011, or at any other time. Government Code section 17559 and section 1187.5 of the Commission’s regulations require that all findings of fact be supported by substantial evidence in the record. In addition, the Commissions’ regulations specify “Any relevant non-repetitive evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs.”<sup>96</sup> Hearsay evidence is admissible if it is inherently reliable, but *will not be sufficient in itself* to support a finding unless the evidence would be admissible over objection in a civil case with a hearsay exception.<sup>97</sup> Hearsay evidence may be used only for the purpose of supplementing or explaining other evidence.<sup>98</sup> In addition, section 1187.5(c) requires that oral or written representations of fact offered by any person shall be under oath or affirmation. All written representations of fact

<sup>93</sup> *Geist v. Sequoia Ventures, Inc.* (2000) 83 Cal.App.4th 300, 305.

<sup>94</sup> *Inco Development Corp. v. Superior Court* (2005) 131 Cal.App.4th 1014. (Emphasis added.)

<sup>95</sup> *Liptak v. Diane Apartments, Inc.* (1980) 109 Cal.App.3d 762, 773 [“A party does not have a vested right in the time for the commencement of an action [and nor] does he have a vested right in the running of the statute of limitations prior to its expiration.” (citing *Kerchoff-Cuzner Mill and Lumber Company v. Olmstead* (1890) 85 Cal. 80; *Mudd v. McColgan* (1947) 30 Cal.2d 463, 468)].

<sup>96</sup> Code of Regulations, Title 2, section 1187.5.

<sup>97</sup> Code of Regulations, Title 2, section 1187.5; Government Code section 11513.

<sup>98</sup> California Code of Regulations, title 2, section 1187.5.

must be signed under penalty of perjury by persons who are authorized and competent to do so and must be based on the declarant's personal knowledge, information, or belief.

The only fact that is not disputed by the parties and can therefore be considered a "verifiable event" is the date of the entrance conference, February 15, 2011, one day after the time to initiate the audit under the statute expired. Thus, the goals of finality and predictability in the operation of a limiting statute are best served by applying section 17558.5 to the Controller's entrance conference, not to an undocumented telephone call. Unlike a prior IRC where a letter existed that documented the parties' earlier agreement to an entrance conference, here there are only hearsay assertions that a telephone call was made to the claimant prior to the running of the three year period.<sup>99</sup> That assertion does not qualify as an "independent, objectively determined and verifiable event" to support a finding that the audit was timely initiated with a phone call.

Thus, the first unilateral act by the Controller to exercise its audit authority which is consistent with the plain language of section 17558.5, and consistent with the application of a procedural requirement to avoid delay in prosecution of claims must be the actual entrance conference. Because it is the Controller's authority to audit that must be exercised within a specified time, it must be within the Controller's exclusive control to demonstrate by documentary evidence that a timely audit is in progress, and that the claimant may be required to produce documentation to support its claims. In this case, the Controller has failed to document or otherwise provide evidence that it initiated the audit of the 2006-2007 reimbursement claim within the three year period required by section 17558.5.

Based on the foregoing, the Commission finds that the audit of the claimant's reimbursement claim for fiscal year 2006-2007 was initiated on February 15, 2011, after the three year period expired and is therefore not timely initiated within the meaning of Government Code section 17558.5. The Controller is requested to reinstate the \$33,802 reduced from the 2006-2007 fiscal year reimbursement claim.

**B. The Controller's Reasons for Reducing Costs for Fiscal Years 2007-2008, 2008-2009, and 2009-2010, Are Correct as a Matter of Law and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.**

For fiscal years 2007-2008, 2008-2009, and 2009-2010, the Controller reduced costs totaling \$71,731 for initial truancy notifications that the Controller determined were not reimbursable. Of the notifications sampled during the audit, 13 notices were determined unallowable in those three fiscal years because the notices were sent to pupils who had less than three truancy absences or tardiness occurrences, and 57 notices were unallowable because they were sent to pupils under age six or over age eighteen who were not subject to the compulsory education requirements of the Education Code.<sup>100</sup>

<sup>99</sup> *Health Fee Elimination*, 05-4206-I-06, adopted March 27, 2015.

<sup>100</sup> Exhibit A, IRC 13-904133-I-11, pages 258 (these numbers do not reflect the disallowed notices in fiscal year 2006-2007).

As described below, the Commission finds that the reasons for these reductions are correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support. The Commission will address the Controller's calculation of the reduction under Section C.

- 1) Reimbursement is not required to provide truancy notices for pupils with less than three unexcused absences or tardiness occurrences and, thus, the Controller's reduction of costs for those notices is correct.

Section 48260 as amended by Statutes 1994, chapter 1023 (SB 1728) and Statutes 1995, chapter 19 (SB 102) provides that a pupil who is absent or tardy from school without valid excuse "*on three occasions in on school year*" is a truant. The Commission amended the parameters and guidelines effective for costs incurred beginning July 1, 2006, to reflect that the mandate to provide a truancy notification is triggered by a pupil who is absent or tardy from school without valid excuse on three occasions in one school year and these parameters and guidelines apply to this IRC.

In fiscal years 2007-2008, 2008-2009, and 2009-2010, the Controller found, however, that the claimant sent truancy notices to pupils who had *less than* three truancy absences or tardiness occurrences. The claimant's request for reimbursement to provide truancy notices for pupils with less than three truancy absences or tardies goes beyond the scope of the mandate and is not eligible for reimbursement.

In response to the draft audit report, the claimant contended that it "believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation."<sup>101</sup> Even though the claimant conceded the issue in response to the draft audit report, the IRC requests reinstatement of the costs reduced on this basis. The claimant, however, has not provided any further information or evidence to show that it complied with the mandate to provide truancy notices to pupils who are "absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday without a valid excuse on three occasions in one school year."

Accordingly, the Controller's reduction of costs for notices provided to students with less than three truancy absences or tardiness occurrences is correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.

- 2) Reimbursement is not required to provide truancy notices to pupils who are under the age of six and over the age of eighteen, who have unexcused absences or tardiness occurrences and, thus, the Controller's reduction of costs for those notices is correct as a matter of law.

The Controller also found that the claimant sent 57 notices within the audit sample, to pupils under age six or over age eighteen who were not subject to the compulsory education requirements of the Education Code or the *Notification of Truancy* mandate. The claimant asserts that notifications of truancy sent to students under age six and over age eighteen should be reimbursable because the Education Code provides that those students are statutorily entitled to attend school. Claimant further contends that school districts are required by Education Code

<sup>101</sup> Exhibit A, IRC, pages 260 and 266.

section 46000 to record, keep attendance, and report absences of all pupils according to the CDE regulations. These regulations provide that records of attendance of every pupil shall be kept for apportionment of state funds and to ensure general compliance with the compulsory education law.<sup>102</sup>

The Commission finds that providing truancy notices to pupils under the age of six and over the age of eighteen, who by definition are not subject to the compulsory education law, goes beyond the scope of the mandate and is not eligible for reimbursement.

The claimant is correct that at the time these reimbursement claims were filed, school districts were required by state law to admit a child to kindergarten if the child would have his or her fifth birthday on or before December 2 of that school year.<sup>103</sup> School districts are also required by state and federal law to provide special education services to “individuals with exceptional needs” until the age of 21 if required by a pupil’s individualized education plan (IEP).<sup>104</sup> And schools are required by state law to record the attendance of every pupil enrolled in school for apportionment of state funds and “to ensure the *general* compliance with the compulsory education law, and performance by a pupil of his duty to attend school regularly as provided in [California Code of Regulations, title 5] section 300.”<sup>105</sup>

However, the truancy laws apply only to those pupils who are subject to compulsory full-time education. Education Code section 48260(a) defines a truant as:

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

“Compulsory full-time education” is defined in Education Code section 48200 as “each person between the ages of six and eighteen years” as follows:

Each person *between the ages of six and eighteen years* not exempted from the provisions of this chapter (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 full-time education not exempted under the provisions of Chapter 3 (commencing with Section 48400) shall attend the public full-time designated as the length of the schoolday [sic] by the governing board of the school district in which the residency of either the parent or legal guardian is located and each parent, guardian, or other person

<sup>102</sup> Exhibit A, IRC, pages 18-22.

<sup>103</sup> Education Code section 48000(a), as last amended by Statutes 1991, chapter 381.

<sup>104</sup> Title 20, United States Code, section 1401; Education Code section 56026.

<sup>105</sup> Education Code section 46000; California Code of Regulations, title 5, section 400. Section 300 of the regulations state in relevant part that “every pupil shall attend school punctually and regularly.”

having control or charge of the pupil shall send the pupil to the public full-time day school or continuation school or classes and for the full time designated as the length of the schoolday [sic] by the governing board of the school district in which the residence of either the parent or the legal guardian is located.

Education Code 48260(b) further states that “[n]otwithstanding subdivision (a) [which defines a truant as a pupil subject to compulsory full-time education], it is the intent of the Legislature that school districts shall not change the method of attendance accounting provided for in existing law.” Therefore, even though schools are required by state law to report the attendance of all enrolled pupils, the truancy laws, including the first notice of initial truancy required by this mandated program, apply only to pupils between the ages of six and eighteen.

Therefore, the Controller’s reduction of costs for truancy notices provided to students younger than six and older than eighteen, who are not subject to compulsory full-time education, is correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.

**C. The Controller’s Reductions on Statistical Sampling and Extrapolation Are Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support and Are, Therefore, Correct.**

In its audit of 2007-2008, 2008-2009, and 2009-2010 reimbursement claims, the Controller examined a random sample of initial truancy notices distributed by the claimant for each year (totaling 884 notifications distributed by elementary and secondary schools)<sup>106</sup>, with the calculation of the “sample size based on a 95% confidence level,” and determined that 70 of those notices were claimed beyond the scope of the mandate, as described in the issue above.<sup>107</sup> The number of unallowable notifications within the sample for each fiscal year was then calculated as an error percentage, and extrapolated to the total number of notifications issued and identified by the claimant in those fiscal years (56,073 notifications), to approximate the total number of unallowable notifications (4,070 notifications), which is less than 10 percent of the notices claimed. The number of unallowable notices was then multiplied by the unit cost for each fiscal year to calculate the total reduction for the three fiscal years at \$71,731.

Since the Controller has not actually reviewed all 56,073 notifications and the records associated with those notices during these fiscal years, the Controller’s methodology results in an estimate based on statistical probabilities of the amount of costs claimed beyond the scope of the mandate and that the Controller has determined to be excessive or unreasonable. The Controller states that the estimated reduction of costs has an “adjustment range” with a 95 percent confidence level for all four fiscal years (including fiscal year 2006-2007) between \$54,620 and \$156,444,

<sup>106</sup> The sample sizes for elementary schools and the sample sizes for secondary schools that were reviewed by the Controller each fiscal year ranged from 146 to 148. The sample sizes for elementary and secondary schools were separately calculated because elementary schools took daily attendance and secondary schools took period attendance. (Exhibit A, IRC, page 259 (final audit report); Exhibit B, Controller’s Comments on IRC, page 28.

<sup>107</sup> Exhibit B, Controller’s Comments on IRC, pages 16 and 28.

and that the total reduction taken (\$105,533) for all four years falls within that range and represents best the point estimate.<sup>108</sup>

Claimant asserts that the use of statistical sampling should be rejected, that the extrapolation of findings is void, and that the audit findings can only pertain to documentation actually reviewed; that is, the 884 notifications examined and the 70 notifications disallowed for insufficient number of absences or tardies to justify the initial notification of truancy and the age of the student.<sup>109</sup> The claimant attacks the statistical reliability and accuracy of the Controller's methodology, arguing that "[t]esting to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here."<sup>110</sup> The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. In this respect, the claimant states the following:

For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples nonrepresentative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body. The 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.<sup>111</sup>

The claimant further contends that the sampling technique used by the Controller is also quantitatively non-representative because less than two percent of the total number of notices were audited, the stated precision rate was plus or minus eight percent even though the sample size (ranging from 146 to 148) is essentially identical for all four fiscal years, and that the audited number of notices claimed for daily accounting (elementary schools) in fiscal year 2006-2007 (8,680) is 45 percent larger than the size in fiscal year 2009-2010 (6,006). The claimant concludes by stating that "[t]he expected error rate is stated to be 50%, which means the total amount adjusted \$105,533 [for the entire audit period, including fiscal year 2006-2007] is really just a number exactly between [the adjustment range]" and that "[a]n interval of possible outcomes cannot be used as a finding of absolute actual cost."<sup>112</sup> Claimant further asserts that the Controller's failure to adopt statistical sampling as a regulation renders its use void.<sup>113</sup>

<sup>108</sup> Exhibit B, Controller's Comments, pages 16 and 29.

<sup>109</sup> Exhibit A, IRC, pages 10-11.

<sup>110</sup> Exhibit A, IRC, page 14.

<sup>111</sup> Exhibit A, IRC, page 15.

<sup>112</sup> Exhibit A, IRC, page 16.

<sup>113</sup> Exhibit A, IRC, pages 15-16.

The Controller counters that sampling and extrapolation is an audit tool commonly used to identify error rates, and that there is no law or regulation prohibiting that method; and, that claimant misstates and misunderstands the meaning of an expected error rate and confidence interval. The Controller argues that its method is reasonable, and “the Administrative Procedures Act is not applicable.”<sup>114</sup>

Based on the analysis herein, the Commission finds that the Controller has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, and that the reductions in this case, determined based on the sampling method used and lack of any evidence to the contrary, are not arbitrary, capricious, or entirely lacking in evidentiary support.

1. There is no evidence to support claimant’s argument that the statistical sampling and extrapolation method used in the audit of the claimant’s reimbursement claims constitutes an underground regulation.

Even if the Controller’s audit authority under the Government Code and case law is broad enough to encompass statistical sampling and extrapolation methods, the claimant has also challenged the methodology as a regulation not adopted pursuant to the APA. The provisions of the APA on which the claimant relies include, primarily, Government Code sections 11340.5 and 11342.600. Section 11340.5 provides, in pertinent part:

No state agency shall issue, utilize, enforce, or attempt to enforce any guideline, criterion, bulletin, manual, instruction, order, standard of general application, or other rule, which is a regulation as defined in Section 11342.600, unless [the rule] has been adopted as a regulation and filed with the Secretary of State pursuant to this chapter.<sup>115</sup>

Therefore, if the Controller’s challenged audit methods constitute a regulation not adopted pursuant to the APA, the Commission cannot uphold the reductions. Section 11342.600, in turn, defines a regulation to mean “...every rule, regulation, order, or standard of general application or the amendment, supplement, or revision of any rule, regulation, order, or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure.”<sup>116</sup> Interpreting this section, the California Supreme Court in *Tidewater Marine Western v. Bradshaw* found that a regulation has two principal characteristics:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule must “implement, interpret, or make specific the law enforced or administered by [the agency], or ... govern [the agency's] procedure.”<sup>117</sup>

<sup>114</sup> Exhibit B, Controller’s Comments, page 16.

<sup>115</sup> Government Code section 11340.5 (Stats. 2000, ch. 1060).

<sup>116</sup> Government Code section 11342.600 (Stats. 2000, ch. 1060).

<sup>117</sup> *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571 (emphasis added) [Citing *Roth v. Department of Veteran Affairs* (1980) 110 Cal.App.3d 622, 630; Gov. Code § 11342(g)].

The necessary inquiry, then, is whether the challenged audit policy or practice is applied “generally,” and used to decide a class of cases; and whether the rule “implement[s], interpret[s], or make[s] specific” the law administered by the Controller. Here, that presents a close question, which turns on the issue of general applicability: if it is the Controller’s policy that *all audits* of the *Notification of Truancy* program be conducted using the statistical sampling and extrapolation methods here challenged, then perhaps that meets the standard of a rule applied “generally, rather than in a specific case.”<sup>118</sup> On the other hand, if statistical sampling and extrapolation is only one of an auditor’s tools, and happens to be the most practical method for auditing claims involving a unit cost and many thousands of units claimed, and it is within the discretion of each auditor to use the challenged methods, then the APA does not bar the exercise of that discretion.<sup>119</sup>

In *Clovis Unified School District v. Chiang*, the court held that the Controller’s contemporaneous source document rule, which was contained solely in the Controller’s claiming instructions and not adopted in the regulatory parameters and guidelines, was applied *generally* to audits of all reimbursement claims for certain programs, in that individual auditors had no discretion to judge on a case-by-case basis whether to apply the rule.<sup>120</sup> As to the second criterion, the court found that the CSDR was more specific, and in some ways inconsistent with the parameters and guidelines for the subject mandated programs. Specifically, the court found that the CSDR defined “source documents” differently and more specifically than the parameters and guidelines, including relegating employee declarations to “corroborating documents, not source documents...”, and failing to recognize the appropriate use of a time study.<sup>121</sup> The court therefore held, “[g]iven these substantive differences...we conclude that the CSDR implemented, interpreted, or made specific...” the parameters and guidelines and the Controller’s audit authority and was, therefore, an underground regulation.<sup>122</sup>

As noted below, in the Medi-Cal audit context, the courts’ found the sampling and extrapolation methodology in that case invalid, solely because of the failure of the Department of Health Services to adopt its methodology in accordance with the APA. The court in *Grier*, concurred with an OAL determination, made in a parallel administrative proceeding, that the challenged method constituted a regulation, and should have been duly adopted. The court observed that “the definition of a regulation is broad, as contrasted with the scope of the internal management exception, which is narrow.”<sup>123</sup> And, the court rejected the Department’s argument that sampling and extrapolation was the only legally tenable interpretation of its audit authority: “While sampling and extrapolation may be more feasible or cost-effective,...[a] line by line audit

<sup>118</sup> *Tidewater Marine Western v. Bradshaw* (1996) 14 Cal.4th 557, 571.

<sup>119</sup> See *Taye v. Coye* (1994) 29 Cal.App.4th 1339, 1345 [Finding that an auditor’s decision was not an underground regulation where it was “designed to fit the particular conditions that were encountered upon arrival at the audit site.”].

<sup>120</sup> 188 Cal.App.4th, page 803.

<sup>121</sup> 188 Cal.App.4th, pages 803-805.

<sup>122</sup> *Id.*, page 805.

<sup>123</sup> *Grier*, 219 Cal.App.3d, page 435.



is an alternative tenable interpretation of the statutes.”<sup>124</sup> The court also noted that the Department “acquiesced” in that determination and soon after adopted a regulation providing expressly for statistical sampling and extrapolation in the conduct of Medi-Cal audits.<sup>125</sup> Accordingly, the court in *Union of American Physicians and Dentists* assumed, without deciding, that having satisfied the APA, the statistical methodology could be validly applied to pending audits, or remanded audits.<sup>126</sup> Now, with respect to Medi-Cal audits, a statistical sampling methodology is provided for in *both* the Welfare and Institutions Code and in the Department’s implementing regulations.<sup>127</sup>

Thus, in light of *Clovis Unified, Grier* and *UAPD*, it is clear that an audit practice may be reasonable and otherwise permissible, yet still constitute an illegal underground regulation. However, the Commission does not have substantial evidence in the record that the audit methodology complained of rises to the level of a rule of general application, and no clear “class of cases” can be defined. In *Tidewater*, the Court held that a “rule need not, however, apply universally; a rule applies generally so long as it declares how a certain class of cases will be decided.”<sup>128</sup> And in *Clovis Unified, supra*, the court explained that in the context of the Controller’s audits of mandate reimbursement claims:

As to the first criterion—whether the rule is intended to apply generally—substantial evidence supports the trial court’s finding that the CSDR was “applie[d] generally to the auditing of reimbursement claims ...; the Controller’s auditors ha[d] no discretion to judge on a case[-]by[-]case basis whether to apply the rule.”<sup>129</sup>

Here, unlike *Clovis Unified*, the sampling and extrapolation method is not published in the claiming instructions for this mandate; nor is it alleged that auditors were *required* to utilize such methods. Indeed, of the 42 completed audit reports for this mandated program currently available on the Controller’s website, some do not apply a statistical sampling and extrapolation methodology to calculate a reduction;<sup>130</sup> others apply a sampling and extrapolation method to

<sup>124</sup> *Id.*, pages 438-439.

<sup>125</sup> *Ibid.*

<sup>126</sup> *Union of American Physicians and Dentists, supra*, 223 Cal.App.3d at pp. 504-505 [finding that the statistical audit methodology did not have retroactive effect because it did not alter the legal significance of past events (i.e., the amount of compensation to which a Medi-Cal provider was entitled)]. .

<sup>127</sup> See, e.g., Welfare and Institutions Code section 14170(b) (added, Stats. 1992, ch. 722 (SB 485); Code of Regulations, title 22, section 51458.2 (Register 1988, No. 17).

<sup>128</sup> *Tidewater, supra*, 14 Cal.4th 557, 571.

<sup>129</sup> 188 Cal.App.4th at page 803.

<sup>130</sup> See, e.g., Audit of Sweetwater Union High School District, *Notification of Truancy*, fiscal years 2006-2007 through 2009-2010 [In this audit report the Controller reduced based on the claimant’s failure to comply with the notification requirements of section 48260.5, rather than

determine whether the notifications issued complied with the eight required elements under section 48260.5;<sup>131</sup> and some use sampling and extrapolation methods to determine the proportion of notifications issued that were supported by documentation, including attendance records, rather than the proportion unallowable based on absences, as here.<sup>132</sup>

Therefore, based on the case law discussed above, and the evidence in the record, the Commission finds that the Controller's sampling and extrapolation method, as applied in this case, is not an underground regulation within the meaning of the APA.

2. The Controller has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, so long as those methods do not constitute underground regulations, and the audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The claimant argues that there is no statutory or regulatory authority for the Controller to reduce claimed costs based on extrapolation from a statistical sample. The Controller counters that the law does not prohibit the audit methods used by the Controller. The Controller relies on Government Code section 12410, which requires the Controller to audit all claims against the state and "may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."<sup>133</sup> The Controller also relies on Government Code section 17561, which permits the Controller to reduce any claim that is determined to be excessive or unreasonable: "The SCO conducted appropriate statistical samples that identified a *reasonable* estimate of the non-reimbursable initial truancy notifications, thus properly reducing the claims for the *unreasonable* claimed costs."<sup>134</sup>

Based on the analysis herein, the Commission finds that Controller has the authority to use statistical sampling and extrapolation auditing methods for mandate reimbursement claims, and the audit conclusions must be upheld absent evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

The Controller correctly states that there is no express prohibition in law or regulation of statistical sampling and extrapolation methods being used in an audit. However, the Controller's authority to audit is commonly described in the broadest terms: article XVI, section 7 states that "Money may be drawn from the Treasury only through an appropriation made by law and upon a

performing a sampling and estimation audit to determine whether notifications were issued in compliance with section 48260.]

<sup>131</sup> See, e.g., Audit of Colton Joint Unified School District, *Notification of Truancy*, fiscal years 1999-2000 through 2001-2002, issued November 26, 2003.

<sup>132</sup> See, e.g., Audit of Bakersfield City School District, *Notification of Truancy*, fiscal years 2007-2008 through 2009-2010, issued October 25, 2012

<sup>133</sup> Exhibit B, Controller's Comments, page 11.

<sup>134</sup> Exhibit B, Controller's Comments, page 16 [emphasis in original].

Controller's duly drawn warrant."<sup>135</sup> Government Code section 12410 provides that the Controller "shall superintend the fiscal concerns of the state..." and "shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."<sup>136</sup>

With respect to mandate reimbursement, the Controller's audit authority is more specifically articulated. Article XIII B, section 6 provides that "the State shall provide a subvention of funds to reimburse...local government for the costs of the program or increased level of service..." whenever the Legislature or a state agency mandates a new program or higher level of service.<sup>137</sup> Government Code section 17561, accordingly, provides that the state "shall reimburse each local agency and school district for *all* 'costs mandated by the state,' as defined in Section 17514..." Section 17561 also provided, at the time the audit of the subject claims began in 2011, the following:

In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor except as follows: (A) The Controller may audit any of the following: (i) Records of any local agency or school district to verify the actual amount of the mandated costs. (ii) The application of a reasonable reimbursement methodology. (iii) The application of a legislatively enacted reimbursement methodology under Section 17573. (B) The Controller may reduce any claim that the Controller determines is excessive or unreasonable. (C) The Controller shall adjust the payment to correct for any underpayments or overpayments that occurred in previous fiscal years.<sup>138</sup>

The parameters and guidelines for the *Notification of Truancy* mandate predate the statutory authorization for a "reasonable reimbursement methodology," as defined in sections 17518.5 and 17557; however, a unit cost, which was adopted for this program, is included within the definition of a "reasonable reimbursement methodology."<sup>139</sup> Thus the Controller's audit authority pursuant to section 17561 expressly authorizes an audit of a claim based on a unit cost reimbursement scheme. The statutes, however, do not address how the Controller is to audit and verify the costs mandated by the state.

Accordingly, the Controller cites to Government Auditing Standards, as issued by the Comptroller General of the United States, to argue that it properly conducted the audit as follows:

<sup>135</sup> California Constitution, article XVI, section 7 (added November 5, 1974, by Proposition 8).

<sup>136</sup> Statutes 1968, chapter 449.

<sup>137</sup> California Constitution, article XIII B, section 6 (Stats. 2004, ch. 133 (SCA 4; Proposition 1A, November 2, 2004)).

<sup>138</sup> Government Code section 17561 (Stats. 2009-2010, 3<sup>rd</sup> Ex. Sess., c. 4.)

<sup>139</sup> Government Code section 17518.5 (added, Stats. 2004, ch. 890); Government Code section 17557 (as amended, Stats. 2004, ch. 890; Stats. 2007, ch. 329).

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.<sup>140</sup>

While the standards cited do not provide *expressly* for statistical sampling and extrapolation to be applied to mandate reimbursement, they do provide for statistical methods to be used to establish the sufficiency, or validity of evidence.<sup>141</sup> The Controller also cites the "Handbook of Sampling for Auditing and Accounting," by Herbert Arkin, for the proposition that a sampling methodology to determine the frequency of errors in the population (i.e., notifications that were not reimbursable for an asserted legal reason) is a widely used approach to auditing.<sup>142</sup>

In accordance with the Controller's audit authority and duties under the Government Code, the Commission's consideration is limited to whether the Controller's audit decisions and reduction of costs is arbitrary, capricious, or entirely lacking in evidentiary support.<sup>143</sup> Based on the standards and texts cited by the Controller, statistical methods are an appropriate and commonly-used tool in auditing, and must be upheld unless there is evidence that the Controller's reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

In fact, statistical sampling methods such as those employed here are used in a number of other contexts and have not been held, in themselves, to be arbitrary and capricious, or incorrect as a matter of law. For example, the Department of Health Services has used statistical sampling and extrapolation to determine the amount of over- or under-payment in the context of Medi-Cal reimbursement to health care providers. In *Grier v. Kizer*<sup>144</sup> and *Union of American Physicians and Dentists v. Kizer*,<sup>145</sup> (*UAPD*) "the Department conducted audits of Medi-Cal providers by taking a small random sample [to determine the frequency and extent of over- or under-claiming for services provided], then extrapolating that error rate over the total amount received by the provider during the period covered by the audit."<sup>146</sup> The methods used by the Department of Health Services were disapproved by the courts in *Grier* and *UAPD* only on the ground that they constituted a regulation not adopted in accordance with the APA (as discussed above), rather

<sup>140</sup> Exhibit A, IRC, page 261 (Final Audit Report.)

<sup>141</sup> Exhibit X, Excerpt from *Government Auditing Standards*, 2003, page 13.

<sup>142</sup> Exhibit B, Controller's Comments, page 19.

<sup>143</sup> *American Bd. of Cosmetic Surgery, Inc*, *supra*, 162 Cal.App.4th at pages 547-548.

<sup>144</sup> (1990) 219 Cal.App.3d 422.

<sup>145</sup> (1990) 223 Cal.App.3d 490.

<sup>146</sup> *Id.*, at page 495.

than on the substantive question whether statistical sampling and extrapolation was a permissible methodology for auditing.<sup>147</sup> Once the Department adopted a regulation in accordance with the APA – a reaction to the proceedings in *Grier* – the court in *UAPD* had no objection to the methodology on its merits.<sup>148</sup> Thus, after *Grier*, the Department has both regulatory and statutory authority for its sampling and extrapolation audit process.<sup>149</sup>

In addition to the Medi-Cal reimbursement context, the courts have declined to reject the use of statistical sampling and extrapolation to calculate damages due to plaintiffs in a class action or other mass tort action.<sup>150</sup> And, in a case addressing audits of county welfare agencies, the court declined to consider whether the sampling and extrapolation procedures were legally proper, instead finding that counties were not required to be solely responsible for errors “which seem to be inherent in public welfare administration.”<sup>151</sup>

On that basis, and giving due consideration to the discretion of the Controller to audit the fiscal affairs of the state,<sup>152</sup> the Commission finds that the Controller has the authority to audit a reimbursement claim based on statistical sampling and extrapolation and that such methods (to the extent that they do not impose an underground regulation) must be upheld absent evidence that the audit reductions are arbitrary, capricious, or entirely lacking in evidentiary support.

3. There is no evidence in the record that the Controller’s findings using the sampling and extrapolation methodology are not representative of all notices claimed during the audit period or that the findings are arbitrary, capricious, or entirely lacking in evidentiary support.

In addition to challenging the legal sufficiency of the Controller’s sampling and extrapolation methodology, the claimant also challenges the qualitative and quantitative reliability and fairness of using statistical sampling and extrapolation to evaluate reimbursement. The claimant further states that the risk of extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. In this respect, the claimant asserts that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age, and, thus, the extrapolation from the samples would not be representative of the universe.<sup>153</sup> The claimant further contends that the sampling technique used by the Controller is

<sup>147</sup> E.g., *Grier, supra*, 219 Cal.App.3d, at pages 439-440.

<sup>148</sup> *Union of American Physicians and Dentists, supra*, 223 Cal.App.3d at pp. 504-505 [finding that the statistical audit methodology did not have retroactive effect because it did not alter the legal significance of past events (i.e., the amount of compensation to which a Medi-Cal provider was entitled)].

<sup>149</sup> See, e.g., Welfare and Institutions Code section 14170(b) (added, Stats. 1992, ch. 722 (SB 485); Code of Regulations, title 22, section 51458.2 (Register 1988, No. 17).

<sup>150</sup> See, e.g., *Bell v. Farmers Insurance Exchange* (2004) 115 Cal.App.4th 715.

<sup>151</sup> *County of Marin v. Martin* (1974) 43 Cal.App.3d 1, 7.

<sup>152</sup> Government Code section 12410.

<sup>153</sup> Exhibit A, IRC, page 15.

also quantitatively non-representative because less than two percent of the total number of notices were audited, the stated precision rate was plus or minus eight percent even though the sample size (ranging from 146 to 148) is essentially identical for all four fiscal years, and that the audited number of notices claimed for daily accounting (elementary schools) in fiscal year 2006-2007 (8,680) is 45 percent larger than the size in fiscal year 2009-2010 (6,006). The claimant concludes by stating that “[t]he expected error rate is stated to be 50%, which means the total amount adjusted \$105,533 [for the entire audit period, including fiscal year 2006-2007] is really just a number exactly between [the adjustment range].”<sup>154</sup>

The Controller disagrees with the claimant’s assertions that the sampling is non-representative of all notices claimed. The Controller states that “the fact that a particular student’s initial truancy notification might more likely be identified as non-reimbursable is irrelevant to the composition of the audit sample itself. It has no bearing on evaluating whether the sample selection is representative of the population.”<sup>155</sup> Citing to Arkin’s *Handbook of Sampling for Auditing and Accounting*, page 9, the Controller states the following:

Since the [statistical] sample is objective and unbiased, it is not subject to questions that might be raised relative to a judgment sample. Certainly a complaint that the auditor had looked only at the worst items and therefore biased the results would have not standing. This results from the fact that an important feature of this method of sampling is that all entries or documents have an equal opportunity for inclusion in the sample.

The Controller further states that the district apparently reached the conclusion that the sampling was quantitatively non-representative because the sample sizes were essentially consistent, while the applicable population size varied. The Controller argues that the absolute size of the sample, not the relative size, is more important under “basic statistical sampling principles.” The Controller explains that an “expected error rate” in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the result. In other words, when “the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate...” an expected error rate of 50 percent as the beginning assumption will provide “the most conservative possible sample size estimate” in order to achieve the precision desired.<sup>156</sup> In addition, the desired accuracy of the result, which might be called a “margin of error,” is determined by the auditor before calculating the sample size (shown below as “SE = desired sample precision”). Therefore, the “margin of error” of the Controller’s resulting percentage is a known value. The Controller relies on the following formula outlined in Arkin’s *Handbook of Sampling for Auditing and Accounting* to calculate the sample size:

<sup>154</sup> Exhibit A, IRC, page 16.

<sup>155</sup> Exhibit B, Controller’s Comments, page 14.

<sup>156</sup> Exhibit B, Controller’s Comments, pages 15-16 [Citing Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 89].

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

n = sample size

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

SE = desired sample precision

t = confidence level factor

N = population size<sup>157</sup>

Thus, applying the formula above to the population of elementary and secondary notices in this case, with a 50 percent expected error rate (the “most conservative sample size estimate” when an error rate is not known) and a desired eight percent margin of error, as stated in the audit report, shows that an appropriate sample size for each level of elementary and secondary schools is between 146 and 148 notices for populations ranging from 6,006 to 8,680 notifications issued by elementary schools, and 8,837 to 11,197 notifications issued by secondary schools during the audit period.<sup>158</sup>

Moreover, there is no evidence in the record that the results are biased or unrepresentative “because a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age,” as asserted by claimant. There is no dispute that the samples were randomly obtained and reviewed by the Controller. According to the *Handbook of Sampling for Auditing and Accounting* (Arkin), all notices randomly sampled have an equal opportunity for inclusion in the sample and, thus, the result is statistically objective and unbiased.<sup>159</sup> Moreover, absent evidence, the Commission and the Controller must presume that the schools within the claimant’s district complied with the mandate in the same way.

In addition, when excluding the figures for fiscal year 2006-2007, the adjustment range for the population’s true error rate within the 95 percent confidence interval for the remaining fiscal years is \$36,854, added or subtracted from the point estimate (the amount reduced in those years) of \$71,731.<sup>160</sup> Although there is a possibility that the \$71,731 may provide more reimbursement

<sup>157</sup> *Id.* at page 16 [Citing Arkin, p. 56].

<sup>158</sup> Exhibit B, Controller’s Comments, page 28.

<sup>159</sup> Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984, page 9.

<sup>160</sup> See Exhibit B, Controller’s Comments, page 28. To calculate the estimated adjustment range (the number added to and subtracted from the point estimate reduction as the upper and lower range error rates) *excluding fiscal year 2006-2007*, combine the “Universe standard error” for elementary and secondary schools, times the confidence level factor of 1.96, times unit cost for the fiscal year as follows:

For fiscal year 2007-2008, the “Universe standard error” of 361 (220 plus 141), times the confidence level factor of 1.96, times the unit cost of \$17.28 for that fiscal year = \$12,227.

For fiscal year 2008-2009, the “Universe standard error” of 360 (229 plus 131), times the confidence level factor of 1.96, times the unit cost of \$17.74 for that fiscal year = \$12,518.

or less reimbursement to the claimant than the actual costs correctly claimed, it represents the statistically best estimate of unallowable costs based on a 95 confidence level.<sup>161</sup> And the adjustment range of \$36,854 for the costs reduced represents just four percent (4%) plus or minus of the total amount claimed in fiscal years 2007-2008, 2008-2009, and 2009-2010 (\$901,023).<sup>162</sup>

Based on the analysis above, the Commission finds that the Controller's reduction of costs, based on the statistical sampling method as applied in this case, is not arbitrary, capricious, or entirely lacking in evidentiary support.

## **V. Conclusion**

Pursuant to Government Code section 17551(d) and section 1185.9 of the Commission's regulations, the Commission finds that the Controller's audit of the 2006-2007 reimbursement claim was not timely initiated within the meaning of Government Code section 17558.5 and, thus, the audit reductions for that fiscal year (\$33,802) are void and requests that the Controller reinstate these costs to the claimant.

The Commission further finds that the reduction of \$71,731 claimed for notices distributed for pupils who had less than three unexcused absences or tardiness occurrences and for pupils who were not subject to the compulsory education laws in fiscal years 2007-2008, 2008-2009, and 2009-2010, is correct as a matter of law, and is not arbitrary, capricious, or entirely lacking in evidentiary support.

Accordingly, the Commission partially approves this IRC.

For fiscal year 2009-2010, the "Universe standard error" of 338 (70 plus 268), times the confidence level factor of 1.96, times the unit cost of \$17.87 for that fiscal year = \$11,839.

Thus, the total estimated error rate for these fiscal years is \$36,584 (12,227+12,518+11,839). The adjustment range within the confidence interval then is \$35,147 to \$108,315 (\$71,731 less \$36,584; and \$71,731 plus \$36,584).

<sup>161</sup> Herbert Arkin, *Handbook of Sampling for Auditing and Accounting*, Third Edition, Prentice Hall, New Jersey, 1984.

<sup>162</sup> Exhibit A, IRC, page 257 (final audit report.)



**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On July 31, 2015 I served the:

**Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**

*Notification of Truancy*, 13-904133-I-11

Education Code Sections 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023;

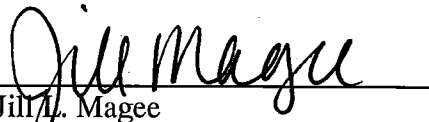
Statutes 1995, Chapter 19

Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010

San Juan Unified School District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on July 31, 2015 at Sacramento, California.



Jill A. Magee

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 6/4/15

**Claim Number:** 13-904133-I-11

**Matter:** Notification of Truancy

**Claimant:** San Juan Unified School District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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**Claimant Representative**

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dscribner@max8550.com

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kent.stephens@sanjuan.edu



**BETTY T. YEE**  
California State Controller

**RECEIVED**  
August 11, 2015  
Commission on  
State Mandates

August 11, 2015

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

**Re: Draft Proposed Decision**

Incorrect Reduction Claim

*Notification of Truancy*, 13-904133-I-11

Education Code Section 48260.5

Statutes 1983, Chapter 498, Statutes 1994, Chapter 1023; Statutes 1995, Chapter 19

Fiscal Years 2006-2007, 2007-08, 2008-09, and 2009-10

San Juan Unified School District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated July 31, 2015, for the above-named incorrect reduction claim (IRC) filed by San Juan Unified School District. This letter constitutes the SCO's response to the DSA.

We support the Commission staff decision related to the following issues:

- Reductions based on notifications of truancy issued for pupils who had fewer than three unexcused absences or occurrences of tardiness and for pupils who were under the age of six and over the age of 18 are correct as a matter of law.
- The statistical sampling methodology used by the SCO to determine the amounts to be reduced is not arbitrary, capricious, or entirely lacking in evidentiary support.

However, the Commission did not support the SCO adjustments for the audit of the district's fiscal year (FY) 2006-07 claim, stating that the audit for that year was not initiated in a timely manner, based on the evidence in the record.

The SCO did not provide evidence in the record supporting that the audit of FY 2006-07 was initiated in a timely manner when responding to the district filed IRC, as this issue was not addressed in the written detailed narrative section of the district-filed IRC, as required by the Commission's regulations. Nevertheless, we are attaching support for this issue (**Tab 1 and 2**).

### **Support for Timely Initiation of FY 2006-07 Audit**

The district's FY 2006-07 claim was filed on February 14, 2008. We initiated the audit within the three-year statutory period, pursuant to Government Code section 17558.5, based on the issuance of the SCO's entrance conference start letter dated February 4, 2011 (**Tab 2**). The Commission has previously ruled on this issue in a statement of decision adopted on March 27, 2015, related to an IRC filed by Los Rios Community College District, IRC No. 05-4206-I-06. The Commission concluded that the audit of the claims subject to that IRC filing was initiated in a timely manner, based on the issuance date of the SCO's entrance conference start letter.

### **Timely Initiation of FY 2006-07 Not Disputed in IRC**

The Commission's DSA states that the statutory deadline to initiate the SCO audit of the district's FY 2006-07 reimbursement claim is an issue in dispute in the filed IRC. We disagree.

Regulations concerning the filing of an IRC with the Commission are contained with the *California Code of Regulations*, Title 2, Chapter 2.5, Article 5, section 1185.1. Relevant sections state in part:

- (a) To obtain a determination that the Office of State Controller incorrectly reduced a reimbursement claim, a claimant shall file an "incorrect reduction claim" with the Commission.
- (f) All incorrect reduction claims, or amendments thereto, shall contain at least the following elements and documents:
  - (2) A written detailed narrative that describes the alleged incorrect reductions. The narrative shall include a comprehensive description of the reduced or disallowed areas of costs.
  - (3) All representations of fact shall be supported by testimonial or documentary evidence and shall be submitted with the claim in accordance with section 1187.5 of these regulations.

The written detailed narrative section of the district's filed IRC did not describe the alleged incorrect reduction related to the SCO's timely initiation of our audit of the district's FY 2006-07 claim. In addition, the district's detailed narrative did not contain any testimonial or documentary evidence related to this issue. Therefore, we believe that this issue is a cause of action not before the Commission to resolve and, thus, beyond the Commission's responsibilities to address pursuant to section 1185.7 of the regulations. Section 1185.7 provides the Commission with the authority to conduct a hearing before adopting a decision on an individual or consolidated IRC.

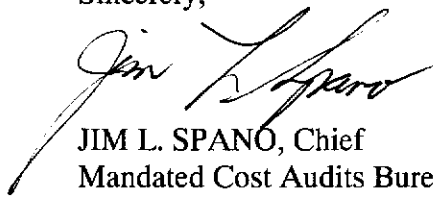
We acknowledge that the district addressed the issue related to timely initiation of the SCO's audit of the FY 2006-07 reimbursement claim in its November 2, 2011 response to the draft audit report issued on October 25, 2011. However, issues disputed by a claimant in responding to a draft audit report are often not challenged in a filed IRC. The district's written detailed narrative in this IRC did not challenge the audit results for FY 2006-07 based on the initiation date of the SCO's audit.

Heather Halsey  
August 11, 2015  
Page 3

We believe that addressing issues in a DSA that were not alleged in the written detailed narrative of a claimant's IRC places an unreasonable burden on the SCO to comment on all potential issues raised during the audit process, in addition to the issues raised within the IRC. We believe that the Commission's regulations require the claimant to request a determination that the SCO incorrectly reduced a reimbursement claim by filing an IRC with the Commission that contains a written detailed narrative describing all of the alleged incorrect reductions.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim L. Spano".

JIM L. SPANO, Chief  
Mandated Cost Audits Bureau  
Division of Audits

**RESPONSE BY THE STATE CONTROLLER'S OFFICE  
TO THE COMMISSION DRAFT PROPOSED DECISION DATED JULY 31, 2015  
RELATED TO AN INCORRECT REDUCTION CLAIM (IRC) BY  
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTIFICATION OF TRUANCY PROGRAM  
Fiscal Year (FY) 2006-07, FY 2007-08, FY 2008-09 and FY 2009-10  
13-9044133-I-11**

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SCO Supporting Documentation – Entrance Conference Start Letter dated February 4, 2011 .....	Tab 2



# TAB 1

1 **OFFICE OF THE STATE CONTROLLER**

3301 C Street, Suite 725  
2 Sacramento, CA 94816  
Telephone No.: (916) 324-8907

3

BEFORE THE

4

COMMISSION ON STATE MANDATES

5

STATE OF CALIFORNIA

6

7 INCORRECT REDUCTION CLAIM ON:

No.: CSM 13-904133-I-11

8

*Notification of Truancy Program*

AFFIDAVIT OF BUREAU CHIEF

9

Education Code section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

10

Statutes 1995, Chapter 19

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San Juan Unified School District, Claimant

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

- 14 1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.
- 15 2) I am currently employed as a Bureau Chief, and have been so since April 21, 2000. Before that, I was employed as an Audit Manager for two years and three months.
- 16 3) I am a California Certified Public Accountant.
- 17 4) I reviewed the work performed by the SCO auditors.
- 18 5) The Auditor-in-Charge processed a formal entrance conference start letter, dated February 4, 2011, (Tab 2) which was addressed to the district's Associate Superintendent/CFO and signed by the Audit Manager. The start letter identified the Auditor-in-Charge, program being audited, reference to the authority to conduct the audit, the entrance conference date and time, and a basic records request.

21

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

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1 Date: August 11, 2015

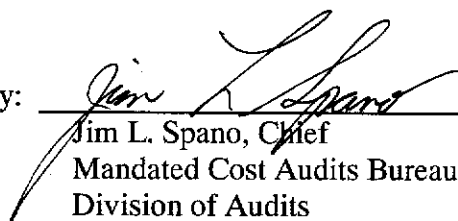
2

OFFICE OF THE STATE CONTROLLER

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By:

  
\_\_\_\_\_

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

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## **TAB 2**



**JOHN CHIANG**  
California State Controller

February 4, 2011

Michael Dencavage  
Associate Superintendent/CBO  
San Juan Unified School District  
3738 Walnut Avenue  
Carmichael, CA 95608-0477

Re: Audit of Mandated Cost Claims for the Notification of Truancy Program  
For the Period of July 1, 2006, through June 30, 2009

Dear Mr. Dencavage:

This letter confirms that Masha Vorobyova has scheduled an audit of San Juan Unified School District's legislatively mandated Notification of Truancy Program cost claims filed for fiscal year (FY) 2006-07, FY 2007-08, and FY 2008-09. Government Code sections 12410, 17558.5, and 17561 provide the authority for this audit. The entrance conference is scheduled for Tuesday, February 15, 2011, at 8:30 a.m. We will begin audit fieldwork after the entrance conference.

Please furnish working accommodations for and provide the necessary records (listed on the Attachment) to the audit staff. If you have any questions, please call me at (916) 323-4940.

Sincerely,

Original signed by

STEVE VAN ZEE, Audit Manager  
Mandated Cost Audits Bureau  
Division of Audits

SVZ/sk

Attachment

9193

Michael Dencavage  
February 4, 2011  
Page 2

cc: Lucinda Luttgen, President of the Board of Education  
San Juan Unified School District  
Pat Jaurequi, Superintendent  
San Juan Unified School District  
David Gordon, County Superintendent of Schools  
Sacramento County Office of Education  
Sharon Rew, Internal Auditor  
San Juan Unified School District  
Scott Hannan, Director (via e-mail)  
School Fiscal Services Division  
California Department of Education  
Thomas Todd Principal Program Budget Analyst (via e-mail)  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager (via e-mail)  
Division of Accounting and Reporting, State Controller's Office  
Jim L. Spano, Bureau Chief (via e-mail)  
Division of Audits, State Controller's Office  
Masha Vorobyova, Auditor-in-Charge (via e-mail)  
Division of Audits, State Controller's Office  
Jeff Carosone, Principal Program Budget Analyst (via e-mail)  
California Department of Finance

**San Juan Unified School District**  
**Records Request for Mandated Cost Program**  
**FY 2006-07, FY 2007-08, and FY 2008-09**

---

1. Copy of claims filed for the mandated cost program
2. Copy of external and internal audit reports performed on the mandated cost program
3. Organization charts for the district effective during the audit period, showing employee names and position titles
4. Organization charts for the division or units handling the mandated cost program effective during the audit period, showing employee names and position titles
5. Documentation that supports amounts received from other funding sources
6. Sample notification letters sent during the audit period
7. List of attendance codes
8. Attendance records/logs and other documents necessary to support all costs claimed

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On August 11, 2015, I served the:

**SCO Comments**

*Notification of Truancy*, 13-904133-I-11

Education Code Sections 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023;

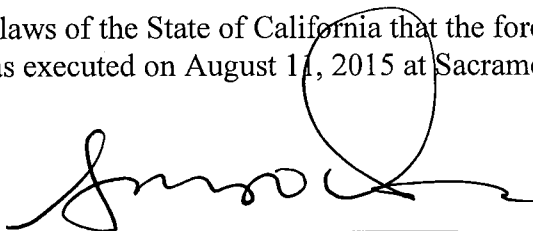
Statutes 1995, Chapter 19

Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010

San Juan Unified School District, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on August 11, 2015 at Sacramento, California.



Lorenzo Duran  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562



# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 8/6/15

**Claim Number:** 13-904133-I-11

**Matter:** Notification of Truancy

**Claimant:** San Juan Unified School District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

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# SixTen and Associates

## Mandate Reimbursement Services

RECEIVED  
September 10, 2015  
Commission on  
State Mandates

KEITH B. PETERSEN, President

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Fax: (858) 514-8645  
www.sixtenandassociates.com

Sacramento  
P.O. Box 340430  
Sacramento, CA 95834-0430  
Telephone: (916) 419-7093  
Fax: (916) 263-9701  
E-Mail: kbpsixten@aol.com

### Exhibit E

September 11, 2015

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

Dear Ms. Halsey:

RE: CSM 13-904133-I-11  
**San Juan Unified School District**  
498/83 Notification of Truancy - **Audit #3**  
Fiscal Years: 2006-07, 2007-08, 2008-09, and 2009-10  
Incorrect Reduction Claim

I have received the Commission Draft Proposed Decision (DPD) dated July 31, 2015, for the above-referenced incorrect reduction claim, to which I respond on behalf of the District.

#### PART A. STATUTE OF LIMITATIONS APPLICABLE TO AUDITS OF ANNUAL REIMBURSEMENT CLAIMS

The Commission (DPD, 27) concludes the audit of the claimant's reimbursement claim for fiscal year 2006-2007 started on February 15, 2011, and was therefore not timely initiated within the meaning of Government Code section 17558.5.

#### Chronology of Claim Action Dates

March 12, 2007	Date of first payment
February 14, 2008	FY 2006-07 claim filed by the District
February 4, 2011	Entrance conference letter date (new evidence)
February 14, 2011	Three years from date the annual claim was filed
February 15, 2011	Entrance conference date
November 30, 2011	Controller's final audit report issued

Statutes of 2004, Chapter 313, operative January 1, 2005, amended Section 17558.5, subdivision (a), to state:

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

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 because the claim was filed on February 14, 2008. The Commission (DPD, 24) determined that since the first payment was made before the filing of the annual claim, the first sentence of the code language controls and requires the audit to commence no later than three years after the date the annual claim was filed. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed.

For this audit, the Commission determined (DPD, 27) that in the absence of an earlier verifiable event, the date of the entrance conference date marks the commencement of the audit.

The only fact that is not disputed by the parties and can therefore be considered a "verifiable event" is the date of the entrance conference, February 15, 2011, one day after the time to initiate the audit under the statute expired. Thus, the goals of finality and predictability in the operation of a limiting statute are best served by applying section 17558.5 to the Controller's entrance conference, not to an undocumented telephone call. Unlike a prior IRC where a letter existed that documented the parties' earlier agreement to an entrance conference, here there are only hearsay assertions that a telephone call was made to the claimant prior to the running of the three year period.<sup>99</sup> That assertion does not qualify as an "independent, objectively determined and verifiable event" to support a finding that the audit was timely initiated with a phone call.

The Commission determined on March 27, 2015, (CSM 09-4425-I-17 and CSM 10-4425-I-18, Sierra Joint Community College District, Collective Bargaining) that for purposes of measuring the statute of limitations, the audit commences no later than the date the entrance conference letter was sent (DPD, 18):

To the extent an entrance conference letter exists and was sent to the claimant, that letter provides verification to a claimant that an audit is in progress, and that the claimant may be required to produce documentation to support its claims. In

this way, the entrance conference letter serves the goals of finality and predictability, and ensures that a claimant will not prematurely dispose of needed evidence to support its claim.

However, in the August 11, 2015, response to the Commission DPD, the Controller provided a copy of the entrance conference letter dated February 4, 2011, which would place the start of the audit within three years according to the Commission decision in Sierra Joint CCD. If the Commission accepts the entrance conference letter as the start date for the audit, the audit was timely commenced. If the Commission does not accept the letter, the District agrees with the current DPD finding. The Controller's August 11, 2015, arguments concerning the Commission's jurisdiction to decide this issue are surplusage.

#### PART B. THE DISALLOWED SAMPLED NOTIFICATIONS

The audit report disallowed \$105,533 of the claimed costs for the four-year audit period. The amount with FY 2006-07 excluded is \$71,731. There are two reasons for the adjustments: those students who had less than three unexcused absences/tardies while between the ages of 6 and 18 (86 sampled notifications) and those students who had less than three unexcused absences/tardies in total regardless of their age (19 sampled notifications). The District no longer disputes these audit findings to the extent of the actual number of sampled notices involved, but not as to the extrapolation of these sampled notices.

<u>DISALLOWANCE REASON</u>	<u>Annual Claim Fiscal Year</u>				<u>TOTALS</u>
	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>	<u>09-10</u>	
<u>Daily Attendance</u>					
Under age (less than 6 years)	20	16	22	1	59
Less than 3 Absences	<u>6</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>13</u>
Total Disallowed	26	19	24	3	72
Sample Size	148	147	147	146	588
Percentage Disallowance	17.6%	12.9%	16.3%	2.05%	12.2%
<u>Period Attendance</u>					
Over age (older than 18 years)	9	5	4	9	27
Less than 3 Absences	<u>—</u>	<u>—</u>	<u>1</u>	<u>5</u>	<u>6</u>
Total Disallowed	9	5	5	14	33
Sample Size	148	148	148	148	592
Percentage Disallowance	6.08%	3.38%	3.38%	9.46%	5.57%

## 1. Compulsory Attendance

The audit report disallowed 59 notices in the audit sample for the elementary school (daily attendance accounting) for students that were younger than 6 years of age and disallowed 27 notices in the audit sample for secondary schools (period attendance accounting) for students that were older than 18 years of age at the time the notification was sent, citing the compulsory attendance law, Education Code Section 48200, which provides each person 6 through 18 years not otherwise exempted is subject to compulsory full-time education.

In the incorrect reduction claim the District asserted that school districts are required by Section 46000 to record and keep attendance and report the absences of *all students* according to the regulations of the State Board of Education for purposes of apportionment and general compliance with the compulsory education law (Title 5, CCR, Section 400, et seq.), and that the initial notification of truancy is a product of the attendance accounting process and promotes compliance of the compulsory education law and every pupil's duty to attend school regularly (Title 5, CCR, Section 300).

The Commission (DPD, 30) determined:

Education Code 48260(b) further states that “[n]otwithstanding subdivision (a) [which defines a truant as a pupil subject to compulsory full-time education], it is the intent of the Legislature that school districts shall not change the method of attendance accounting provided for in existing law.” Therefore, even though schools are required by state law to report the attendance of all enrolled pupils, the truancy laws, including the first notice of initial truancy required by this mandated program, apply only to pupils between the ages of six and eighteen.

The District no longer disputes this issue.

## 2. Documentation Issues

The audit report disallowed 13 notices in the audit sample for the elementary school (daily attendance accounting) and disallowed 6 notices in the audit sample for secondary schools (period attendance accounting) for those students sampled who had less than three unexcused absences/tardies in total regardless of their age. The disallowed samples resulted because the District was either unable to provide documentation at the time of audit of the three incidences at the time the notification letters were sent, or some of the incidences were retroactively cleared after the notification was sent. There being no additional documentation available at the time of audit or now, the District no longer disputes this issue.

**PART C. STATISTICAL SAMPLING AND EXTRAPOLATION OF FINDINGS**

The incorrect reduction claim asserted that the Controller cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample, that the entire findings are based upon the wrong standard for review and that there is no published audit manual for mandate reimbursement or the audit of mandate claims in general for this or any other mandate program which allows this method of audit or allows adjustment of amounts claimed in this manner. The Commission has concluded otherwise based on factually unrelated case law, broad legislative grants of authority, and unadopted audit standards intended for other purposes.

**1. Underground Regulation**

The incorrect reduction claim asserts that the sampling and extrapolation process is a standard of general application without appropriate state agency rulemaking and is therefore unenforceable (Government Code Section 11340.5). The formula is not an exempt audit guideline (Government Code Section 11340.9 (e)). State agencies are prohibited from enforcing underground regulations. If a state agency issues, enforces, or attempts to enforce a rule without following the Administrative Procedure Act, when it is required to, the rule is called an "underground regulation." Further, the audit adjustment is a financial penalty against the District, and since the adjustment is based on an underground regulation, the formula cannot be used for the audit adjustment (Government Code Section 11425.50 (c)). The Commission concludes (DPD, 35) that the Controller's sampling and extrapolation method is not an underground regulation within the meaning of the Administrative Procedure Act.

The Commission cites (DPD, 32) *Tidewater Marine Western v. Bradshaw* for two standards of review:

First, the agency must intend its rule to apply generally, rather than in a specific case. The rule need not, however, apply universally; a rule applies generally so long as it declares how a *certain class of cases* will be decided. Second, the rule must "implement, interpret, or make specific the law enforced or administered by [the agency], or . . . govern [the agency's] procedure."<sup>117</sup>

**a. "Generality" of application (Government Code Section 11340.5)**

*Tidewater* states that the rule need not be applied universally, but only to certain class of cases. Notwithstanding, the Commission (DPD, 33) erroneously asserts as a matter of law that the Controller would have to apply the sampling process to all audits of the Notification of Truancy mandate, relevant or not, because the auditor has discretion to select among audit methods. That is the wrong standard. It is not that every audit must be a *Tidewater* "case" to support the concept of generality as the Commission



concludes, but more logically it is that if the factual circumstances are present that are amenable to the use of sampling and whether sampling was used, rather than another audit method (such as 100% review of the records).

The Commission (DPD, 34) notes that 42 audits of the Notification of Truancy mandate program have been posted to the Controller's website, but that some do not apply statistical sampling and extrapolation to calculate the audit reduction. The exceptions identified by the Commission are:

- Sweetwater Union High School District, where the auditor disallowed in Finding 2 (noted by the Commission at Footnote 130), a portion of the costs based on the content of the notification. One of the eight notification items was missing, so 12.5% of the claimed cost was disallowed for all notices. The content of the notice is a compliance issue and not a documentation issue, so statistical sampling is not relevant to this Finding. It appears that the documentation issue was addressed in Finding 1 (not cited by the Commission) where the auditor identified the unallowable notices without the need for sampling. In addition, this Finding increased the number of reimbursable notifications. Therefore, this audit does not qualify as a "case." Note that the Controller did use sampling techniques on the previous Sweetwater audit for FY 2000-01 and 2001-02, issued October 7, 2005, which does qualify as a "case."
- Colton Joint Unified School District (Footnote 131), where the auditor disallowed 100% of the claimed costs. The auditor did use the sampling technique, contrary to the Commission conclusion. The auditor commenced the sampling process, but then disallowed all of the claimed notices because documentation could not be found for most of the samples, site staff stated they did not actually distribute notices in most cases, and the form of notice did not include the five components. This audit qualifies as a "case" because sampling was used, it is just that extrapolation was not necessary.
- Bakersfield City School District (Footnote 132), where the auditor allowed all of the cost claimed based on the District's manual documentation process. That is, apparently sufficient and appropriate documentation was available for all claimed notifications. It appears that there was no need to sample for defective documentation, so this appears to be a situation of a 100% review. Therefore, this audit is not a "case," and is not relevant as an exception.

Of the three exceptions cited by the Commission, two are not factually relevant exceptions and one did utilize statistical sampling. Therefore, all of the relevant "cases" used the statistical sampling process and the matter of generality of application is no longer an issue.

The second *Tidewater* standard is that the rule must "implement, interpret, or make

specific the law enforced or administered by [the agency], or . . . govern [the agency's] procedure." That is not contested here by any of the parties or the Commission.

The Commission (DPD, 33) relies upon *Clovis* to establish another standard that an auditor must be without discretion to apply the sampling process. *Clovis* is inapplicable here because the contemporaneous source document rule (CSDR) was published in the Controller's claiming instructions, whereas the parameters and guidelines and claiming instructions for Notification of Truancy are silent on the subject of statistical sampling and extrapolation. The perceived lack of auditor discretion for using the CSDR derives from the claiming instructions and thus *Clovis* is not a standard available for the sampling and extrapolation method since that process was not published. Regardless, as a factual matter, sampling and extrapolation was used in all relevant audit circumstances, so auditor discretion is no longer an issue.

The Commission (DPD, 33-34) cites the Medi-Cal cases decided in 1990 for the assertion that a statistical sampling methodology could be applied to Medi-Cal cost audits. This is not entirely useful since the ultimate court finding applied only after the state had performed the missing rulemaking. But, the lesson is clear from the Medi-Cal cases. State agencies need to perform the necessary rulemaking rather than cobble together a post-facto defense to avoid this level of public scrutiny. The Controller, whose particular responsibility has been the payment and audit of the mandate annual claims for more than thirty years, has had ample time for rulemaking for this audit method.

b. Exempt audit guideline (Government Code Section 11340.9 (e))

This issue was not addressed by the Commission. The Controller has not asserted that the sampling and extrapolation is a confidential audit criterion or guideline. Indeed, the process is disclosed in the audit report.

c. Financial penalty (Government Code Section 11425.50 (c))

This issue was not addressed by the Commission. However, the statistical sampling and extrapolation generate audit findings that result in a loss of reimbursement for the districts and is therefore a financial penalty.

## 2. Authority to Utilize Sampling and Extrapolation Methods

The incorrect reduction claim asserts that the Controller cited no relevant statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on extrapolation of a statistical sample for audits of state mandate programs. The Commission concludes to the contrary and proposes (DPD, 35-38) several theories to support the Controller's claim to such authority.

a. No express prohibition

There is no cited express prohibition in law or regulation for statistical sampling and extrapolation methods being used in an audit. However, governmental authority is not unlimited and must always be properly exercised. One example pertinent to this incorrect reduction claim is that the Administrative Procedure Act prohibits underground rulemaking.

b. Broad Constitutional authority

The Commission cites Article XVI, section 7, which states that "Money may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant." The Commission has not cited a case that applies this to mandate reimbursement, nor has anyone asserted that a claim has been paid without a legal appropriation or without a legal warrant.

c. Government Code section 12410

The Commission cites Government Code Section 12410 which states: "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." However, Section 12410 is found in the part of the Government Code that provides a general description of the duties of the Controller and dates back to 1945. It is not specific to the audit of mandate reimbursement claims. The only applicable audit standard for mandate reimbursement claims is found in Government Code Section 17561(d). It is the case of more specific language circumscribing the general language.

Further, it has not been demonstrated that, if Section 12410 was somehow the applicable standard, the audit adjustments were made in accordance with this standard. There is no allegation in the audit report that the claim was in any way illegal. The Section 12410 phrase "sufficient provisions of law for payment" refers to the requirement that there be adequate appropriations prior to the disbursement of any funds. There is no indication that any funds were disbursed for these claims without sufficient appropriations. Thus, even if the standards of Section 12410 were applicable to mandate reimbursement audits, there is no evidence that these standards are not met or even relevant. There is no indication that the Controller is actually relying on the audit standards set forth in Section 12410 for the adjustments to the District's reimbursement claims.

d. Government Code Section 17561 and 17518.5

Government Code Section 17561 (d), authorizes the Controller to audit annual reimbursement claims and to "verify the actual amount of the mandated costs" and "reduce any claim that the Controller determines is excessive or unreasonable." This is

a distinct statement of audit scope. Adjustments based on lack of documentation are not adjustments based on excessive or unreasonable costs. There is no assertion that the unit cost rate for the notifications is excessive or unreasonable. Nor could a unit cost rate be audited to “verify” the actual cost of the mandate since a unit cost is a statewide average not applicable to the actual cost at any one district.

e. Generally Accepted Government Auditing Standards

In support of the Controller’s authority, the Commission cites to the federal Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the “Yellow Book,”<sup>1</sup> while at the same time acknowledging that dollar amount extrapolation of sampled findings method is not specifically included in that publication. The Yellow Book is for use by auditors of government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits. These standards apply when required by law, regulation, agreement, contract, or policy. Neither the audit report nor the Commission cite any law or agreement or policy that makes the Yellow Book applicable to audits of state mandated costs.

Regardless, the audit report states that the audit was a “performance audit.” The Yellow Book standards for performance audits are:

2.6 A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.

2.7 Performance audits include economy and efficiency and program audits.

a. Economy and efficiency audits include determining (1) whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently, (2) the causes of inefficiencies or uneconomical practices, and (3) whether the entity has complied with laws and regulations on matters of economy and efficiency.

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<sup>1</sup> Generally Accepted Government Auditing Standards

The Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the “Yellow Book,” are published by the United States Government Accountability Office (GAO): <http://www.gao.gov/govaud/ybook.pdf>.

- b. Program audits include determining (1) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (2) the effectiveness of organizations, programs, activities, or functions, and (3) whether the entity has complied with significant laws and regulations applicable to the program.

The audit report and Commission made no findings based on the above qualitative performance criteria. A performance audit was not conducted. The audit was a documentation audit.

f. Government Code Section 17558.5

In the audit report the Controller cites, but the Commission does not consider Government Code Section 17558.5 which describes the time to commence and finish an audit. This is not an audit content or process standard and is not relevant.

### 3. Application of the Methodology

The District has already agreed that statistical sampling is a recognized audit tool for some purposes, regardless of whether any of the Commission cited sources supports that conclusion as a matter of law for a state audit of mandated cost annual claims. The question becomes whether the method, if it is not an underground rule, was properly applied. The Commission concludes that the District's assertion that the sample is not representative of the universe is unfounded because of the Controller's showing that the method is statistically significant and mathematically valid is sufficient.

The Commission (DPD, 37-38) cites the Medi-Cal cases for the assertion that a statistical sampling methodology could be applied to Medi-Cal cost audits. The District does not agree that the sampling method as used in the Medi-Cal audits is the same as the method as used in the Controller's audit. In the Medi-Cal audits, different fee amounts for numerous types of services were audited for documentation and necessity of service. For Notification of Truancy, where the dollar amount is fixed, the purpose of the sampling is to determine whether a sufficient number of absences/tardies were incurred and if the student is subject to the notification process. What the Controller is testing is whether the notices are reimbursable based on the number of prerequisite absences, which is testing for procedural compliance, not the dollar amount of dissimilar services. Testing to detect the rate of error within tolerances is the purpose of sampling, but it is not a tool to assign an exact dollar amount to the amount of the error, which the Controller has inappropriately done so here. This is a failure of auditor judgment both in the purpose of the sampling and the use of the findings. The cited *Bell* case, as well as the Commission decision, does not conclusively address this issue.

In the incorrect reduction claim, the District asserted that the errors perceived from the sample do not occur at the same rate in the universe even when the samples are randomly selected, which was discounted by the Commission (DPD, 40) due to lack of evidence. Kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples nonrepresentative of the universe. The Commission can take notice that there are more five-year old children in kindergarten than there are in the other grades 1-12. Also, if any of the notices excluded for being over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being over-age is greater than the entire student body since school districts must provide services to these persons through age 21 years. The Commission can take notice that a 19-21 year-old student is more likely to be a special education student than the pupils in the other grade levels. The District does not assert that the incidence of truancy for kindergarten students or special education students is either proportionate or disproportionate, rather that a kindergarten pupil is more likely to be under-age and a special education pupil is more likely to be over-age than other students sampled, and thus not representative.

The Commission (DPD, 40) establishment of a rebuttable presumption that it must be presumed that the district uniformly complied with the mandate is contradicted by its finding in Notification of Truancy, 05-904133-I-02, Los Angeles Unified School District (September 9, 2015, Proposed Decision, 27):

However, the Controller's extrapolation of its findings from the 67 sampled school sites to the remaining 53 school sites that were not included in the Controller's audit sample, is not supported by any evidence in the record. There is no showing in the record that the audit results from the sampled schools accurately reflects and is representative of the schools not sampled. There is evidence that school sites in the claimant's district complied with the mandate in different ways. As indicated above, some school sites sampled provided truancy notification letters to support the costs claimed and some did not. The audit report further states the attendance counselors at some school sites were not aware of the mandate or the proper guidelines for reporting initial truancy notifications, some records could not be located, some records were destroyed, and some counselors at school sites were not on duty daily requiring other administrative staff to provide the truancy notifications.<sup>73</sup> Because the record indicates variation in school compliance, the Controller's use of data from the sampled schools in the district to calculate the percentage of compliance for all schools does not provide any evidence of the validity of the costs claimed by the schools that were not sampled. Thus, the Controller's assertion that the costs claimed by the 53 school sites that were not included in the sample were not supported by documentation, is not supported by any evidence in the record.

It can be seen here that the Commission has come down on both sides of this issue. For San Juan, the Commission states that there is no evidence that the schools complied with the mandate in different ways. At the same time, there is no evidence of uniform compliance and it should not be assumed otherwise. To assert that sampling is per se uniform as long as evidence specific to this District is not presented to the contrary ignores the reality of Los Angeles and the findings of other audits (e.g., Colton) of this mandate program.

The Commission accepts the Controller's 50% error rate as reasonable. The Commission cites (DPD, 39) the Controller precision assumptions:

The Controller explains that an "expected error rate" in this context is an assumption used to determine the appropriate sample size, rather than a measure of the ultimate accuracy of the result. In other words, when "the auditor has no idea whatsoever of what to expect as the maximum rate of occurrence or does not care to make an estimate..." an expected error rate of 50 percent as the beginning assumption will provide "the most conservative possible sample size estimate" in order to achieve the precision desired. 156

The error rate of 50% should not to be championed by anyone when it results in a fiscal penalty. For the four sampled fiscal years, the Controller determined that there were 69,139 notices (30,232 + 38,907) in the distributed notices universe. The total sample size for all four years was 1,180 truancy notifications (588 + 592) which is 1.7% of the universe. The stated precision rate was plus or minus 8%, even though the sample size is essentially identical for all four fiscal years (either 146, 147, or 148), and even though the audited number of notices claimed for daily accounting (elementary schools) in FY 2006-07 (8,680) is 45% larger than the size of FY 2009-10 (6,006). The expected error rate is stated to be 50%, which means the total adjustment amount of \$105,533 is really just a number exactly between \$52,767 (50%) and \$158,300 (150%). Therefore, an interval of possible outcomes cannot be used as a finding of absolute actual cost. The Controller was not compelled to restrict its sample size or precision. Increasing the sample size would increase the potential representativeness of the sample. The large volume of the notifications compels greater precision.

As an evidentiary matter, because the expected error rate is an assumption and acknowledged by the state as not being a measure of the ultimate accuracy of the result, it would be arbitrary to just use the midrange of the predicted results. Because it is equally likely that the extrapolation results will be either the highest or lowest amount, or any amount in between, the only evidentiary certainty that does not penalize the District is the lowest adjustment amount. The uncertainty should be mitigated against the method and the agency using the method. If the Commission insists on allowing the extrapolation, it must accept the finding with the least penalty to the District.

**CERTIFICATION**

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

Executed on September 11, 2015, at Sacramento, California, by



Keith B. Petersen, President  
SixTen & Associates

Service by Commission Electronic Drop Box



**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On September 11, 2015, I served the:

**Claimant Comments**

*Notification of Truancy*, 13-904133-I-11

Education Code Sections 48260.5

Statutes 1983, Chapter 498; Statutes 1994, Chapter 1023;

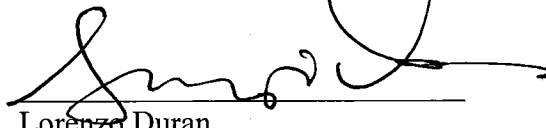
Statutes 1995, Chapter 19

Fiscal Years: 2006-2007, 2007-2008, 2008-2009, and 2009-2010

San Juan Unified School District, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on September 11, 2015 at Sacramento, California.



Lorenzo Duran

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 9/10/15

**Claim Number:** 13-904133-I-11

**Matter:** Notification of Truancy

**Claimant:** San Juan Unified School District

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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STATE OF CALIFORNIA

STATE MANDATED COST TEST CLAIM

SB 90-1 (2/81)

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#2

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SACRAMENTO, CA 95814
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DATE FILED: 8/25/84
SB 90-

ENTITY SUBMITTING CLAIM (DO NOT ABBREVIATE) San Diego Unified School District
ADDRESS 4100 Normal Street, San Diego, CA 92103
CONTACT PERSON FOR QUESTIONS ON CLAIM: Norman E. Miller
TELEPHONE NO. (916) 446-7517
ADDRESS 1127 11th St., Suite 401, Sacramento, CA 95814

THIS CLAIM IN THE AMOUNT OF \$106,030 FOR COSTS INCURRED DURING THE 1983-84 F.Y., AND

\$ FOR COSTS INCURRED DURING THE F.Y.

IS FILED PURSUANT TO REVENUE AND TAXATION CODE SECTION [ ] 2253(B) [X] 2253(C) [ ] 2253(D).

I. COMPLETE EITHER "A" OR "B" (NOT BOTH)

THE CLAIM IS BASED ON LEGISLATION
CHAPTER 498, STATUTES OF 1983, CHARTERED DATE 7-28-83, EFFECTIVE DATE 7-28-83
LEGISLATION CONTAINED: [X] APPROPRIATION, [X] DISCLAIMER, [ ] NEITHER
THE CLAIM IS BASED ON AN EXECUTIVE ORDER AS DEFINED IN SECTION 2209 OF THE REVENUE AND TAXATION CODE
PROMULGATING AGENCY, CALIF. ADMINISTRATIVE CODE TITLE AND SECTION ADDED OR AMENDED, EFFECTIVE DATE
EXECUTIVE ORDER CONTAINED: [ ] APPROPRIATION, [ ] DISCLAIMER, [ ] NEITHER
CITE THE LEGISLATIVE AUTHORITY FOR THE EXECUTIVE ORDER: Chapter Statutes of which adds or amends Section of the Code.
ENABLING STATUTE CONTAINED: [ ] APPROPRIATION, [ ] DISCLAIMER, [ ] NEITHER

II. THE FOLLOWING MUST BE PROVIDED WITH THE CLAIM\*

- A. A copy of the chaptered bill or executive order which the local entity is alleging constitutes a mandate.
B. Identification of state or federal statutes or regulations and court decisions which impact the alleged mandated program, if known.

III. SUMMARY OF MANDATE AND IDENTIFICATION OF THE ALLEGED MANDATED COSTS\*

A. Identify the type(s) of mandated cost contained in the chaptered bill or executive order by checking the appropriate box(s) below:

THIS BILL OR EXECUTIVE ORDER:

- [ ] MANDATES A NEW PROGRAM.
[X] INCREASES THE LEVEL OF SERVICE OF AN EXISTING PROGRAM.
[ ] IMPLEMENTS OR INTERPRETS A FEDERAL STATUTE OR REGULATION AND, BY SUCH IMPLEMENTATION OR INTERPRETATION, INCREASES PROGRAM OR SERVICE LEVELS ABOVE THE LEVELS REQUIRED BY SUCH FEDERAL STATUTE OR REGULATION.
[ ] IMPLEMENTS OR INTERPRETS A STATUTE OR AMENDMENT ADOPTED OR ENACTED PURSUANT TO THE APPROVAL OF A STATE-WIDE BALLOT MEASURE BY THE VOTERS AND, BY SUCH IMPLEMENTATION OR INTERPRETATION, INCREASES PROGRAM OR SERVICE LEVELS ABOVE THE LEVELS REQUIRED BY SUCH BALLOT MEASURE.
[ ] REMOVES AN OPTION PREVIOUSLY AVAILABLE TO LOCAL AGENCIES AND THEREBY INCREASES PROGRAM OR SERVICE LEVELS OR PROHIBITS A SPECIFIC ACTIVITY WHICH RESULTS IN THE LOCAL AGENCIES USING A MORE COSTLY ALTERNATIVE TO PROVIDE A MANDATED PROGRAM OR SERVICE.
[ ] REQUIRES THAT AN EXISTING PROGRAM OR SERVICE BE PROVIDED IN A SHORTER TIME PERIOD AND THEREBY INCREASES THE COSTS OF SUCH PROGRAM OR SERVICE.
[ ] ADDS NEW REQUIREMENTS TO AN EXISTING OPTIONAL PROGRAM OR SERVICE AND THEREBY INCREASES THE COST OF SUCH PROGRAM OR SERVICE IF THE LOCAL AGENCIES HAVE NO REASONABLE ALTERNATIVE OTHER THAN TO CONTINUE THE OPTIONAL PROGRAM.

- B. Describe the mandated activities which result from the chaptered bill or executive order. Such description must identify all activities which result in mandated costs.
C. Provide a statement of actual and/or estimated costs, which result from the activities described above.

IV. CERTIFICATION

I DO HEREBY CERTIFY:

THAT sections 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with; and
THAT I am the person authorized by the local agency to file claims for funds with the State of California.

THAT the San Diego Unified School District (Local Entity) did not seek legislative authority, as defined in the Revenue and Taxation Code Section 2253.2(b)(1), to implement the alleged mandate.

THAT the San Diego Unified School District (Local Entity) does not have the authority to levy service charges, fees or assessments sufficient to pay for the mandated program or increased level of service of an existing program.

SIGNATURE OF AUTHORIZED REPRESENTATIVE: A. Ronald Oakes, Controller
DATE: August 20, 1984
TELEPHONE NO.: (619) 293-8205

San Diego Unified School District  
Finance Department  
June 5, 1984

ATTACHMENT B

Legislated Mandated Cost Test Claim Pursuant to  
Chapter 498, Statutes of 1983, Education Code 48260.5 -

Summary of Estimated Costs

Develop notification format

10 hours X \$13.00 per hour \$130.00

Duplicating Forms

5,500 X \$11.50 per 1,000 63.25

Clerical (Typing, mailing, recording, filing)

Site Office

4 hours per week X \$5.54 (hourly rate) = \$22.16  
\$22.16 (weekly rate) X 36 weeks = \$797.16 (annual  
rate per secondary school site)  
\$797.16 (annual site rate X 45 sites) = 35,899.20

District Office

4 hours per week X \$5.54 (hourly rate) 797.76

Postage for mailing notifications 1,100.00

Counselors

2 hours per week per secondary site X  
\$21.00 (hourly rate) X 36 weeks = \$1,512  
\$1,512 (site rate) X 45 sites 68,040.00

Total Estimated 1983-84 Costs \$106,030.21

Legislated Mandated Cost Test Claim Pursuant to  
Chapter 498, Statutes of 1983, Education Code Section 48260.5

Statement of Facts

Chapter 498, Statutes of 1983 (S.B. 813) added Education Code Section 48260.5 which follows:

48260.5 Notice to parent or guardian; alternative education programs; solutions

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

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.

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

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

The San Diego Unified School District has implemented a program in compliance with the mandates in Education Code Section 48260.5, thereby incurring state-mandated costs which include time to develop a new notification form, duplicating of the notification forms, clerical costs for typing, mailing, recording and filing of the notifications, first-class postage for mailing the notifications, and district counselor time impacted as a result of increased responsibilities and counseling loads.

I certify under penalty of perjury that the foregoing is true and correct of my own knowledge, except as to the matters which are therein stated as information or belief, and as to those matters I believe them to be true.

Executed this 20th day of August, 1984, at San Diego, California.  
City State

STATE BOARD OF CONTROL

EXHIBIT

FILE NO. SB 90-4133

HEARING DATE 11-29-84

*A. Ronald O'Keefe*  
Signature

Brief Written Statement  
for Adopted Mandate

Mandate: Chapter 498, Statutes of 1983  
Notification of Truancy

Claimant: San Diego Unified School District

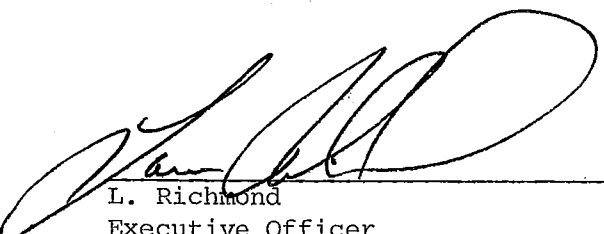
At its hearing of November 29, 1984, the State Board of Control, after receiving evidence submitted by the claimant and the Department of Finance determined that Chapter 498, Statutes of 1983 imposed reimbursable state mandated costs as defined by the Revenue and Taxation Code (RTC).

The claimant alleged that Chapter 498/83 created costs resulting from developing, preparing, and mailing truancy notification forms, and in providing newly required additional teacher/counselor time.

The claimant requested reimbursement under authority of RTC Section 2253(c). The claimant alleged a mandate as defined in RTC Section 2207(a).

The Board of Control determined that Chapter 498/83 constitutes a state mandate because it requires an increased level of service. The Board determined that the statute imposes costs by requiring school districts to develop a notification form, and provide written notice to the parents or guardians of students identified as truants of this fact. It requires that notification contain other specified information and, also, to advise the parent or guardian of their right to meet with school personnel regarding the truant pupil. The Board found these requirements to be new and not previously required of the claimant.

Adopted: 11/29/84



L. Richmond  
Executive Officer



G:\PG\NOT1.PG

Adopted: 8/27/87

Amended: 7/28/88

Amended: 7/22/93

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

I\* SUMMARY OF MANDATE

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

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

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

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

II. BOARD OF CONTROL DECISION

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

III. ELIGIBLE CLAIMANTS

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

IV. PERIOD OF REIMBURSEMENT

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

V. REIMBURSABLE COSTS

A. Scope of Mandate

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

B. Reimbursable Activities

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

1. Planning and Preparation -- One-time

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

2. Notification process -- On-going

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

### C. Uniform Cost Allowance

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

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

### D. Unique Costs

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

## VI. CLAIM PREPARATION

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

### A. Uniform Cost Allowance Reimbursement

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

### B. Recognized Unique Costs

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

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

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

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

1. Narrative Statement of Unique Costs Incurred

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

2. Employee Salaries and Benefits

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

3. Services and Supplies

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

4. Allowable Overhead Costs

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

VII. SUPPORTING DATA

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

A. Uniform Allowance Reimbursement

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

B. Reimbursement of Unique Costs

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

VII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENT

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

VIII. REQUIRED CERTIFICATION

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



**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

June 2003

# **Government Auditing Standards**

2003 Revision



June 2003

# Government Auditing Standards

## 2003 Revision

This revision of the standards supersedes the 1994 revision, including amendments 1 through 3. Its provisions are effective for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible.

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## Abbreviations

AICPA	American Institute of Certified Public Accountants
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPA	certified public accountant
CPE	continuing professional education
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
GAGAS	generally accepted government auditing standards
GAO	U.S. General Accounting Office
MD&A	Management's Discussion and Analysis
OMB	U.S. Office of Management and Budget
SAS	AICPA Statements on Auditing Standards
SSAE	AICPA Statements on Standards for Attestation Engagements

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The concept of accountability for public resources is key in our nation's governing process and a critical element for a healthy democracy. Legislators, government officials, and the public want to know whether government services are being provided efficiently, effectively, economically, and in compliance with laws and regulations. They also want to know whether government programs are achieving their objectives and desired outcomes, and at what cost. Government managers are accountable to legislative bodies and the public for their activities and related results. Government auditing is a key element in fulfilling the government's duty to be accountable to the people. Auditing allows those parties and other stakeholders to have confidence in the reported information on the results of programs or operations, as well as in the related systems of internal control. Government auditing standards provide a framework to auditors so that their work can lead to improved government management, decision making, oversight and accountability.

These standards are broad statements of auditors' responsibilities. They provide an overall framework for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work. Auditors will face many situations in which they could best serve the public by doing work exceeding the standards' minimum requirements. As performance and accountability professionals, we should not strive just to comply with minimum standards, which represent the floor of acceptable behavior, but we need to do the right thing according to the facts and circumstances of each audit situation. I encourage auditors to seek opportunities to do additional work when and where it is appropriate, particularly in connection with testing and reporting on internal control.

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This is the fourth revision of the overall standards since they were first issued in 1972. This revision of the standards supersedes the 1994 revision, including amendments 1 through 3. This revision makes changes to these standards in the following 3 areas:

- redefining the types of audits and services covered by the standards, including an expansion of the definition of performance auditing to incorporate prospective analyses and other studies and adding attestation as a separate type of audit,
- providing consistency in the field work and reporting requirements among all types of audits defined under the standards, and
- strengthening the standards and clarifying the language in areas that, by themselves, do not warrant a separate amendment to the standards.

These standards contain requirements for auditor reporting on internal control, but they do not require the auditor to render an opinion on internal control. Nevertheless, I encourage auditors to evaluate those situations where they are reporting on internal control to determine whether providing an opinion on internal control would add value and be cost beneficial based on related risks. The Sarbanes-Oxley Act requires private sector auditors to attest to and report on the assessment made by management of each publicly traded company on the effectiveness of internal control over financial reporting. GAO strongly believes that auditor reporting on internal control is a critical component of monitoring the effectiveness of an organization's risk management and accountability systems. Auditors can better serve their clients and other financial statement users and better protect the public interest by having a greater role in providing assurances over the effectiveness of internal control in deterring fraudulent financial reporting, protecting assets, and providing an early

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warning of emerging problems. We believe auditor reporting on internal control is appropriate and necessary for publicly traded companies and major public entities. We also believe that such reporting is appropriate in other cases where management assessment and auditor examination and reporting on the effectiveness of internal control add value and mitigate risk in a cost beneficial manner. In this regard, GAO seeks to lead by example in establishing the appropriate level of auditor reporting on internal control for federal agencies, programs, and entities receiving significant amounts of federal funding. In fact, we already provide opinions on internal control for all our major federal audit clients, including the consolidated financial statements of the U.S. Government.

Because of the breadth of the fourth revision to the overall standards, any new standards are applicable for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible and encouraged. An electronic version of these standards can be accessed on the Web at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm). We have also posted a listing of the major changes from the 1994 Revision to this Web site. Printed copies can be obtained from the U.S. Government Printing Office.

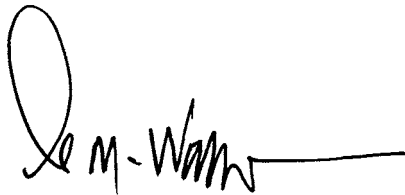
This revision of the standards currently incorporates the field work and the reporting standards issued by the American Institute of Certified Public Accountants (AICPA). The Sarbanes-Oxley Act gives the Public Company Accounting Oversight Board (PCAOB) the authority to set auditing standards to be used by registered public accounting firms in the preparation and issuance of audit reports for publicly traded companies. As the PCAOB promulgates auditing standards for audits of these entities, GAO will continue to closely monitor the actions of both standard setting bodies and will issue clarifying guidance as necessary on



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the incorporation of future standards set by either standard setting body.

This revision has gone through an extensive deliberative process including extensive public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards, which includes 21 experts in financial and performance auditing and reporting drawn from all levels of government, academia, private enterprise, and public accounting. The views of all parties were thoroughly considered in finalizing the standards. I thank those who commented and suggested improvements to the standards. I especially commend the Advisory Council on Government Auditing Standards and the GAO project team for important contributions to this revision.

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker  
Comptroller General  
of the United States

June 2003

**Sufficient, competent, and relevant evidence is to be obtained to provide a reasonable basis for the auditors' findings and conclusions.**

**7.49** A large part of auditors' work on an audit concerns obtaining and evaluating evidence that ultimately supports their judgments and conclusions pertaining to the audit objectives. In evaluating evidence, auditors consider whether they have obtained the evidence necessary to achieve specific audit objectives. When internal control or compliance requirements are significant to the audit objectives, auditors should also collect and evaluate evidence relating to controls or compliance.

**7.50** Evidence may be categorized as physical, documentary, testimonial, and analytical. Physical evidence is obtained by auditors' direct inspection or observation of people, property, or events. Such evidence may be documented in memoranda, photographs, drawings, charts, maps, or physical samples. Documentary evidence consists of created information such as letters, contracts, accounting records, invoices, and management information on performance. Testimonial evidence is obtained through inquiries, interviews, or questionnaires. Analytical evidence includes computations, comparisons, separation of information into components, and rational arguments.

**7.51** The guidance in the following paragraphs is intended to help auditors judge the quality and quantity of evidence needed to satisfy audit objectives. Paragraphs 7.52 through 7.61 are intended to help auditors determine what constitutes sufficient, competent, and relevant evidence to support their findings and conclusions. Paragraphs 7.62 through 7.65 describe the elements of an audit finding.

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Tests of Evidence

**7.52** Evidence should be sufficient, competent, and relevant to support a sound basis for audit findings, conclusions, and recommendations:

**a.** Evidence should be sufficient to support the auditors' findings. In determining the sufficiency of evidence, auditors should ensure that enough evidence exists to persuade a knowledgeable person of the validity of the findings. When appropriate, statistical methods may be used to establish sufficiency.

**b.** Evidence is competent if it is valid, reliable, and consistent with fact. In assessing the competence of evidence, auditors should consider such factors as whether the evidence is accurate, authoritative, timely, and authentic. When appropriate, auditors may use statistical methods to derive competent evidence.

**c.** Evidence is relevant if it has a logical relationship with, and importance to, the issue being addressed.

**7.53** The following presumptions are useful in judging the competence of evidence. However, these presumptions are not to be considered sufficient in themselves to determine competence. The amount and kinds of evidence required to support auditors' conclusions should be based on auditors' professional judgment.

**a.** Evidence obtained when internal controls are effective is more competent than evidence obtained when controls are weak or nonexistent. Auditors should be particularly careful in cases where controls are weak or nonexistent and should, therefore, plan alternative audit procedures to corroborate such evidence.

**b.** Evidence obtained through the auditors' direct physical examination, observation, computation, and

# **BAKERSFIELD CITY SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2007, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

October 2012



**JOHN CHIANG**  
**California State Controller**

October 25, 2012

Bill McDougle, President  
Board of Education  
Bakersfield City School District  
1300 Baker Street  
Bakersfield, CA 93305

Dear Mr. McDougle:

The State Controller's Office audited the costs claimed by the Bakersfield City School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$533,320 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Robert J. Arias, Ed.D., Superintendent  
    Bakersfield City School District  
Steve McClain, Chief Business Official, Business Services  
    Bakersfield City School District  
Sherry Gladin, Director, Fiscal Services  
    Bakersfield City School District  
Mary Little, President, Board of Education  
    Kern County Office of Education  
Scott Hannan, Director  
    School Fiscal Services Division  
    California Department of Education  
Carol Bingham, Director  
    Fiscal Policy Division  
    California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
    Education Systems Unit  
    Department of Finance  
Jay Lal, Manager  
    Division of Accounting and Reporting  
    State Controller's Office

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Bakersfield City School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$533,320 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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



The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2010.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

**Conclusion**

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Finding and Recommendation section of this report.

For the audit period, the Bakersfield City School District claimed \$533,320 for costs of the Notification of Truancy Program. Our audit disclosed that the claimed costs are allowable. The State paid the district \$76,845. The State will pay allowable costs claimed that exceed the amount paid, totaling \$456,475, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on September 28, 2012. Sherry Gladin, Director, Fiscal Services, responded by letter dated October 10, 2012 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

October 25, 2012

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2010**

Cost Elements	Actual Costs Claimed and Allowable Per Audit
<u>July 1, 2007, through June 30, 2008</u>	
Number of initial truancy notifications	9,804
Uniform cost allowance	× \$ 17.28
Total program costs	\$ 169,413
Less amount paid by the State	(5)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 169,408</u>
<u>July 1, 2008, through June 30, 2009</u>	
Number of initial truancy notifications	10,019
Uniform cost allowance	× \$ 17.74
Total program costs	\$ 177,737
Less amount paid by the State	(40,273)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 137,464</u>
<u>July 1, 2009, through June 30, 2010</u>	
Number of initial truancy notifications	10,418
Uniform cost allowance	× \$ 17.87
Total program costs	\$ 186,170
Less amount paid by the State	(36,567)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 149,603</u>
<u>Summary: July 1, 2007, through June 30, 2010</u>	
Total program costs	\$ 533,320
Less amount paid by the State	(76,845)
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 456,475</u>

# Finding and Recommendation

**FINDING—  
Noncompliance with  
initial truancy  
notification distribution  
procedures**

The district did not comply with its stated procedures for documenting and distributing initial truancy notifications. There are no unallowable costs associated with this finding.

During audit fieldwork, the district identified its initial truancy notification distribution procedures. The district used an attendance software system to track and summarize student attendance. Individual schools distributed initial truancy notifications to students' parents or guardians. The district stated that schools were required to manually update the attendance software system to identify the initial truancy notification date *before* notifications were actually mailed to the student's parent or guardian.

To support the number of initial truancy notifications claimed, the district provided summary reports from its attendance software system. The summary reports identified those students for whom the district distributed initial truancy notifications. However, the summary reports included notifications for which no distribution date was identified. The following table summarizes the number of undated notifications identified from the attendance software system for each fiscal year:

<u>Fiscal Year</u>	<u>Undated Notifications</u>
2007-08	1,870
2008-09	2,250
2009-10	2,450

We requested that the district provide corroborating documentation to validate that school sites actually distributed the undated notifications to students' parents or guardians. We selected a random sample of 40 undated notifications from FY 2009-10 and asked the district to provide copies of the notifications prepared and distributed. In response, the district provided copies for only 13 of the 40 notifications requested. The district stated that school sites did not provide documentation for 11 notifications. The district stated that it could not retrieve the remaining 16 notifications because the students had left the district and the students' files were forwarded to the students' new districts.

In comments dated May 31, 2012, the district attributed the undated notifications to a "clerical issue." The district stated that it is working with its school sites to correct the issue.

The parameters and guidelines state that districts may claim only actual costs. The parameters and guidelines state, "Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities." The parameters and guidelines also state that the district must "maintain documentation that indicates the total number of initial notifications of truancy distributed."

Recommendation

We recommend that the district ensure that individual school sites update the district's attendance software system by identifying the initial truancy notification date before the notification is mailed to the student's parent or guardian.

District's Response

The district agreed with the audit finding. The district identified various actions that it has taken in response to the audit finding. Please refer to the district's response (Attachment) for further information.

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

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BAKERSFIELD CITY SCHOOL DISTRICT

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1300 Baker Street  
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(661) 631-4697

Sherry Gladin, Director  
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EDUCATION CENTER, 1300 BAKER STREET  
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(661) 631-4600  
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October 10, 2012

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

**Re: Audit of Notification of Truancy Program Mandated Costs Claims**

Dear Mr. Spano,

Bakersfield City School District has received the State Controller's Office's draft report for the audit of our mandated cost claims submitted for the Notification of Truancy Program during the period of July 1, 2007 – June 30, 2010.

The District agrees with the findings outlined within the report.

The District wishes to provide the following response for inclusion in the final audit report:

The District has taken the following actions to help staff implement the legislatively mandated Notification of Truancy Program: (1) two professional development sessions were provided for all District schools which included required documentation of truancy notifications; (2) written guidance was provided to all school site principals and site truancy coordinators summarizing the required truancy notification distribution procedures; (3) the District maintains a computer program which automatically generates truancy letters and allows school staff to enter in the dates when truancy letters were mailed and filed; (4) reports can be run from the electronic system showing the students who are truant and whether the notification has been sent; and (5) the immediate supervisor of each principal has been asked to check on the delivery and posting of the truancy program notifications.

The District will continue to provide training and guidance to the school sites on this subject on an annual basis.

If you have any questions, please contact me at (661) 631-4696.

Sincerely,

A handwritten signature in blue ink that reads "Sherry Gladin".

Sherry Gladin  
Director, Fiscal Services

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

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



# **CLOVIS UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2006, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

January 2012



**JOHN CHIANG**  
**California State Controller**

January 31, 2012

Jim Van Volkinburg, D.D.S., President  
Governing Board  
Clovis Unified School District  
1450 Herndon Avenue  
Clovis, CA 93611

Dear Dr. Volkinburg:

The State Controller's Office audited the costs claimed by the Clovis Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$818,587 for the mandated program. Our audit disclosed that \$694,615 is allowable and \$123,972 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$113,847. The State will pay allowable costs claimed that exceed the amount paid, totaling \$580,768, contingent upon available appropriations.

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

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

Sincerely,

*Original signed by*

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

JVB/bf

cc: Janet Young, Ed.D., Superintendent  
Clovis Unified School District  
Michael Johnston, Assistant Superintendent  
Business Services  
Clovis Unified School District  
Pat Kraft, Director  
Budget and Facilities Accounting  
Clovis Unified School District  
Joni Eisner, Mandated Costs Coordinator  
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Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
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Jay Lal, Manager  
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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Clovis Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1 2006, through June 30 2009.

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## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2009.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

## **Conclusion**

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

For the audit period, Clovis Unified School District claimed \$818,587 for costs of the Notification of Truancy Program. Our audit disclosed that \$694,615 is allowable and \$123,972 is unallowable.

The State paid the district \$113,847. Our audit disclosed that \$694,615 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$580,768, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on December 14, 2011. On January 9, 2012, we received an e-mail from Joni Eisner, Mandated Costs Coordinator, stating that the district would not respond to the draft audit report.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

January 31, 2012

**Schedule 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2009**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustment</u>	<u>Reference <sup>1</sup></u>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	16,734	15,344	(1,390)	Findings 1, 2
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Subtotal	270,254	247,806	(22,448)	
Noncompliant initial truancy notifications	-	(61,952)	(61,952)	Finding 3
Total program costs	<u>\$ 270,254</u>	185,854	<u>\$ (84,400)</u>	
Less amount paid by the State		<u>(53,706)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 132,148</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	16,374	14,896	(1,478)	Finding 2
Uniform cost allowance	x \$17.28	x \$17.28	x \$17.28	
Total program costs	<u>\$ 282,943</u>	257,403	<u>\$ (25,540)</u>	
Less amount paid by the State		<u>(8)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 257,395</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	14,960	14,169	(791)	Finding 2
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Total program costs	<u>\$ 265,390</u>	251,358	<u>\$ (14,032)</u>	
Less amount paid by the State		<u>(60,133)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 191,225</u>		
<u>Summary: July 1, 2006, through June 30, 2009</u>				
Total program costs	<u>\$ 818,587</u>	694,615	<u>\$ (123,972)</u>	
Less amount paid by the State		<u>(113,847)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 580,768</u>		

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



# Findings and Recommendations

**FINDING 1—  
Overstated allowable  
initial truancy  
notifications**

For fiscal year (FY) 2006-07, the district overstated the number of allowable initial truancy notifications distributed. As a result, the district claimed unallowable costs totaling \$5,184.

The district provided a list of students for whom it distributed initial truancy notifications. The number of initial truancy notifications documented did not agree with the number of notifications claimed.

The following table details the audit adjustment:

	Fiscal Year 2006-07
Number of notifications documented	16,413
Less number of notifications claimed	<u>(16,734)</u>
Overstated number of notifications	(321)
Uniform cost allowance	<u>x \$16.15</u>
Audit adjustment	<u>\$ (5,184)</u>

The program’s parameters and guidelines instruct claimants to claim mandate-related costs by reporting the number of initial truancy notifications distributed during the year. They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year.

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

The district claimed non-reimbursable initial truancy notifications totaling \$56,836. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded notifications distributed for Clovis Community Elementary Day School students from the population used to select our sample and extrapolate the sample results. We excluded five notifications for FY 2007-08 and eight notifications for FY 2008-09.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2006-07	2007-08	2008-09
Daily attendance accounting:			
Documented notifications	4,517	4,615	4,171
Number of notifications excluded	-	(5)	(8)
Total notifications sampled, daily attendance accounting	<u>4,517</u>	<u>4,610</u>	<u>4,163</u>
Total notifications sampled, period attendance accounting	<u>11,896</u>	<u>11,759</u>	<u>10,789</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group.

Some initial truancy notifications the district claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical sample:

	Fiscal Year		
	2006-07	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(23)	(11)	(24)
Fewer than three total	<u>(1)</u>	<u>(8)</u>	<u>(1)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(24)</u>	<u>(19)</u>	<u>(25)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	(3)	(7)	(1)
Fewer than three total	<u>(1)</u>	<u>(4)</u>	<u>-</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(4)</u>	<u>(11)</u>	<u>(1)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
<b>Daily attendance accounting:</b>				
Number of unallowable initial truancy notifications from statistical sample	(24)	(19)	(25)	
Statistical sample size	÷ 145	÷ 145	÷ 145	
Unallowable percentage	(16.55)%	(13.10)%	(17.24)%	
Population sampled	x 4,517	x 4,610	x 4,163	
Extrapolated number of unallowable initial truancy notifications	(748)	(604)	(718)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Unallowable costs, daily attendance accounting	\$ (12,080)	\$ (10,437)	\$ (12,737)	\$ (35,254)
<b>Period attendance accounting:</b>				
Number of unallowable initial truancy notifications from statistical sample	(4)	(11)	(1)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(2.70)%	(7.43)%	(0.68)%	
Population sampled	x 11,896	x 11,759	x 10,789	
Extrapolated number of unallowable initial truancy notifications	(321)	(874)	(73)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Unallowable costs, period attendance accounting	\$ (5,184)	\$ (15,103)	\$ (1,295)	\$ (21,582)
Audit adjustment	\$ (17,264)	\$ (25,540)	\$ (14,032)	\$ (56,836)

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

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

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

The parameters and guidelines state:

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

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

**FINDING 3—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$61,952 for FY 2006-07. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

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

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet the obligation specified in item 2 may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed notifications that included only items one through six above. Therefore, we allowed only 75% of the unit cost allowance for each allowable notification.

The following table summarizes the audit adjustment:

	Fiscal Year 2006-07
Number of notifications documented	16,413
Less unallowable daily attendance notifications (Finding 2)	(748)
Less unallowable period attendance notifications (Finding 2)	<u>(321)</u>
Allowable initial truancy notifications	15,344
Uniform cost allowance	<u>x \$16.15</u>
Subtotal	\$ 247,806
Unallowable percentage	<u>x (25)%</u>
Audit adjustment	<u>\$ (61,952)</u>

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.

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

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

# **COLTON JOINT UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1999, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

November 2003



**STEVE WESTLY**  
California State Controller

November 26, 2003

Dennis D. Byas, Superintendent  
Colton Joint Unified School District  
1212 Valencia Drive  
Colton, CA 92324

Dear Mr. Byas:

The State Controller's Office has completed an audit of the claims filed by Colton Joint Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$438,174 for the mandated program. Our audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$357,568. The total amount paid should be returned to the State.

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

Sincerely,

*Original Signed By:*

WALTER BARNES  
Chief Deputy Controller, Finance

WB:jj

cc: (See page 2)

cc: David Capelouto  
Assistant Superintendent of Business Services  
Colton Joint Unified School District  
Herbert R. Fischer, Ph.D., County Superintendent of Schools  
San Bernardino County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Educational Consultant  
School Fiscal Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance



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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Colton Joint Unified School District, for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was June 17, 2003.

The district claimed \$438,174 for the mandated program. The audit disclosed that none of the claimed costs is allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$357,568. The total amount paid should be returned to the State.

## Background

The State enacted Chapter 498, Statutes of 1983, requiring special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) the parent or guardian's obligation to compel the attendance of the pupil at school; and (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution.

In addition, the legislation requires the district to inform parents and guardians of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1984, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines*, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The auditors performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

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

For the audit period, the Colton Joint Unified School District claimed \$438,174 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$139,593 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$139,593, should be returned to the State.

For FY 2000-01, the district was paid \$111,755 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$111,755, should be returned to the State.

For FY 2001-02, the district was paid \$106,220 by the State. The audit disclosed that none of the costs claimed is allowable. The amount paid in excess of allowable costs claimed, totaling \$106,220, should be returned to the State.

**Views of  
Responsible  
Official**

The SCO issued a draft audit report on September 24, 2003. Janna Waller, Director of Fiscal Services and Risk Management, responded through a telephone conversation on November 3, 2003, agreeing with the audit results.

**Restricted Use**

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

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Number of initial notifications	\$ 11,414	\$ —	\$ (11,414)	Findings 1, 2
Uniform cost allowance	<u>12.23</u>	<u>12.23</u>	<u>12.23</u>	
Total costs	<u>\$ 139,593</u>	—	<u>\$(139,593)</u>	
Less amount paid by the State		<u>(139,593)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(139,593)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial notifications	\$ 11,415	\$ —	\$ (11,415)	Findings 1, 2
Uniform cost allowance	<u>12.73</u>	<u>12.73</u>	<u>12.73</u>	
Total costs	<u>\$ 145,313</u>	—	<u>\$(145,313)</u>	
Less amount paid by the State		<u>(111,755)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(111,755)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial notifications	\$ 11,872	\$ —	\$ (11,872)	Findings 1, 2
Uniform cost allowance	<u>12.91</u>	<u>12.91</u>	<u>12.91</u>	
Total costs	<u>\$ 153,268</u>	—	<u>\$(153,268)</u>	
Less amount paid by the State		<u>(106,220)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(106,220)</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total costs	<u>\$ 438,174</u>	—	<u>\$(438,174)</u>	
Less amount paid by the State		<u>(357,568)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(357,568)</u>		

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

# Findings and Recommendations

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

The district claimed 3,507 initial truancies, totaling \$44,094, that were not supported by its attendance records for the period of July 1, 1999, through June 30, 2002.

The auditors were not able to reconcile the total number of initial truancy notification forms claimed for each fiscal year of audit to students who were truant based on attendance records. Consequently, the auditors used the district's ATT 656 printouts to identify the population of the initial truancies. The district was unable to explain the differences between the notifications claimed and the totals of initial truancies identified in the ATT 656 printouts. The variances for these students are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Truancies per the district's attendance records	9,889	10,606	10,699	31,194
Truancies claimed	<u>(11,414)</u>	<u>(11,415)</u>	<u>(11,872)</u>	<u>(34,701)</u>
Differences	<u>(1,525)</u>	<u>(809)</u>	<u>(1,173)</u>	<u>(3,507)</u>

Consequently, the unsupported number of initial truancies claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Unsupported initial truancy notifications claimed	(1,525)	(809)	(1,173)	<u>(3,507)</u>
Uniform cost allowance	<u>\$ 12.23</u>	<u>\$ 12.73</u>	<u>\$ 12.91</u>	
Totals	<u>\$ 18,651</u>	<u>\$ 10,299</u>	<u>\$ 15,144</u>	<u>\$ 44,094</u>

*Parameters and Guidelines*, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . ."

*Parameters and Guidelines*, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

### Recommendation

The district should establish policies and procedures to ensure that all costs claimed are supported.

**FINDING 2—  
Unallowable costs  
relating to initial  
truancies**

The district claimed the costs for 31,194 truancies, according to the district's attendance records, that were not supported by the distribution of initial truancy notification forms, totaling \$394,080, for the period of July 1, 1999, through June 30, 2002.

From the total population of truancies each year from the district's attendance reports (see Finding 1), the auditors selected a statistical sample based on a 95% confidence level with a precision rate of 8% and an expected error rate of 50%. The auditors attempted to verify whether initial truancy notifications containing five required elements were distributed to the pupil's parent or guardian. The review of the letters provided by the district found that the letters were absence reports which identified the student's name, but did not contain any of the five required elements.

For FY 1999-2000, the auditor randomly selected 148 truancies from a population of 9,889 for verification. The district provided ten letters for review. Only six of the ten letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 142 notifications from the sample.

For FY 2000-01, the auditor randomly selected 148 truancies from a population of 10,606 for verification. The district provided 20 letters for review. Only 6 of the 20 letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 142 notifications from the sample.

For FY 2001-02, the auditor randomly selected 148 truancies from a population of 10,699. The district provided 28 letters for review. Only 8 of the 28 letters provided by the district were from the sample. The district did not provide documentation to support the existence of any of the remaining 140 notifications from the sample.

The current Assistant Superintendent of Business Services and the Director of Fiscal Services were unable to provide any documentation supporting the truancies claimed. Consequently, the unallowable number of initial truancies claimed, at the uniform cost allowance rate, described in the *Parameters and Guidelines* are as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Unallowable initial truancy notifications claimed	(9,889)	(10,606)	(10,699)	<u>(31,194)</u>
Uniform cost allowance	<u>\$ 12.23</u>	<u>\$ 12.73</u>	<u>\$ 12.91</u>	
Totals	<u>\$120,942</u>	<u>\$135,014</u>	<u>\$138,124</u>	<u>\$394,080</u>

Twenty-one school sites were visited during the review of FY 1999-2000 and FY 2000-01 initial truancy notifications. Attendance clerks and administrators of the school sites visited identified various reasons for not distributing the initial truancy notification forms containing the five required elements identified in *Parameters and Guidelines*. The review disclosed the following:

- At all school sites visited, the attendance clerks were not aware of the existence of the mandate or proper guidelines for reporting initial truancy notifications;
- At 14 of the school sites, the persons interviewed were not the attendance clerks or administrators during the review periods and thus were not able to locate the records;
- At 17 of the school sites, the attendance clerks did not send letters or notifications to parents or guardians during FY 1999-2000 through FY 2001-02. However, they provided the sample letters that were sent out for various stages of absenteeism and tardiness.
- At two of the school sites, the attendance clerks stated that records for the review period were discarded.
- At two of the school sites, the attendance clerks stated that parents or guardians were contacted through other means such as telephone calls and home visits rather than notification letters sent to the parents or guardians. However, no documentation was provided to support this statement.

The auditor reviewed telephone logs and attendance records, though they are not support for reimbursable costs, to gain an understanding of the district's process of notifying a pupil's parent or guardian of the required five elements. These records did not support that the required elements were discussed with the pupil's parent or guardian. Furthermore, *Parameters and Guidelines* requires the district to document the five specified elements on the form that is distributed to the pupil's parent or guardian.

Subsequent to the audit period, the district developed a Child Welfare and Attendance manual that addresses the initial truancy notification requirements. However, the attendance clerks at the school sites visited indicated that they were not aware of the manual.

*Parameters and Guidelines*, adopted by the State Board of Control on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil's parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.



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

Furthermore, the guidelines state, “. . . district must inform parents and guardians of (1) alternative education programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.”

*Parameters and Guidelines*, Section V.A., states, “The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . .”

*Parameters and Guidelines*, Section V.B.1., states that the claimant shall be reimbursed for “Planning the method of implementation, revising school district policies, and designing and printing the forms.”

*Parameters and Guidelines*, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

*Parameters and Guidelines*, Section V.C., states, “The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.”

*Parameters and Guidelines*, Section VII., states, “For audit purpose, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .”

### Recommendation

The district should establish policies and procedures to ensure that all costs claimed are supported. In addition, the district should ensure that its Child Welfare and Attendance manual is communicated to the attendance clerks and implemented.

Although *Parameters and Guidelines* requires only five specified elements to be subject to reimbursements, *Education Code* Section 48260.5 requires the form to contain eight specified elements.

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

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

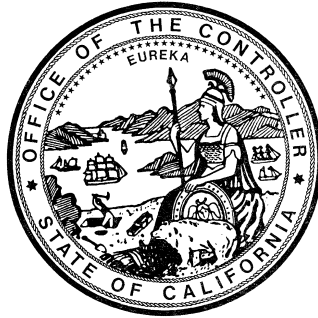
# **COMPTON UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1998, through June 30, 2001*



**STEVE WESTLY**  
California State Controller

August 2003



**STEVE WESTLY**  
California State Controller

August 6, 2003

Jesse L. Gonzales, Ph.D.  
Superintendent  
Compton Unified School District  
640 South Tamarind Avenue  
Compton, CA 90220

Dear Dr. Gonzales:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001.

The district claimed \$615,945 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. The total amount paid should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

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

Sincerely,

*Original Signed By:*

**WALTER BARNES**  
Chief Deputy State Controller, Finance

WB:ams

cc: (See Page 2)

cc: Teresa A. Santamaria  
Associate Superintendent  
Business and Administrative Services  
Compton Unified School District  
Erlinda Martinez  
Associate Superintendent  
Curriculum Design and Instructional Improvement  
Compton Unified School District  
Joe C. Buenavista, Ed.D.  
Senior Director, Pupil Services  
Compton Unified School District  
Darline P. Robles, Ph.D.  
Los Angeles County Superintendent of Schools  
Los Angeles County Office of Education  
John Conshafter  
Internal Compliance Auditor  
MCS Education Services  
Janet Sterling, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Manager  
School Fiscal Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Compton Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2001. The last day of fieldwork was February 14, 2003.

The district claimed \$615,945 for the mandated program. The audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The district was paid \$497,865. Consequently, the total amount paid should be returned to the State.

## Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

In addition, the legislation requires the district to inform the parent or guardian of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

The *Parameters and Guidelines* adopted by the Commission on State Mandates establish the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist school districts and local agencies to claim reimbursable costs.

## Objective, Scope, and Methodology

The objective of the audit was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983), for the period of July 1, 1998, through June 30, 2001.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## Conclusion

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the Findings and Recommendations section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the district claimed \$615,945 and was paid \$497,865 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the claimed costs is allowable; therefore, \$615,945 is unallowable.

For fiscal year (FY) 1998-99, the district was paid \$173,546 by the State. The audit disclosed that none of the costs is allowable; therefore, \$173,546 should be returned to the State.

For FY 1999-2000, the district was paid \$180,123 by the State. The audit disclosed that none of the costs is allowable; therefore, \$180,123 should be returned to the State.

For FY 2000-01, the district was paid \$144,196 by the State. The audit disclosed that none of the costs is allowable; therefore, \$144,196 should be returned to the State.



**Views of  
Responsible  
Official**

The SCO issued a draft audit report on April 30, 2003. Teresa Santamaria, Associate Superintendent, responded by the attached letter dated June 6, 2003, disagreeing with the audit results presented in Finding 1 and agreeing to not contest the audit results presented in Finding 2. The district's response is included in this final audit report.

**Restricted Use**

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

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Findings and Recommendations

## FINDING 1— Overclaimed number of initial truancy notification forms distributed

The district claimed costs for initial truancy notification forms distributed to (truant) pupils that were not supported, totaling \$610,071 during the audit period. This amount is net of the ineligible activities claimed for independent study students discussed in Finding 2.

The district identified the total number of initial truancy notification forms claimed by school sites, but was unable to reconcile those amounts to pupils who were truant. Consequently, the auditor used the district's CTEP02/03 reports to identify the population of the initial truanancies. The district was unable to explain the difference between the notifications claimed and the total initial truanancies identified on its accounting records. The variances for these pupils are as follows:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Supported truanancies	14,560	17,910	20,077	52,547
Claimed truanancies	<u>(14,562)</u>	<u>(14,509)</u>	<u>(20,601)</u>	<u>(49,672)</u>
Difference	<u>(2)</u>	<u>3,401</u>	<u>(524)</u>	<u>2,875</u>

From the total population of supported truanancies each year, the auditor selected a statistical sample based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater.

For FY 1998-99, the auditor randomly sampled 163 initial truanancies from a population of 14,560. The district did not provide documentation to support the existence of any of the 163 notifications. Consequently, the auditor was unable to verify that any such notifications contained the five specified elements required by the *Parameters and Guidelines*.

For FY 1999-2000, the auditor randomly sampled 179 initial truanancies from a population of 17,910. The district provided support for only three letters distributed to the pupils' parents or guardians. However, those letters contained only two of the five required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 176 notifications.

For FY 2000-01, the auditor randomly selected 170 initial truanancies from a population of 20,077. The district provided support for only seven letters distributed to the pupils' parents or guardians. However, those letters did not contain the five required elements. Two of the letters contained only one required element while five of the letters contained only two required elements. Furthermore, the district did not provide documentation to support the existence of any of the remaining 163 notifications.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Initial truancy notifications claimed	(14,562)	(14,509)	(20,601)	<u>(49,672)</u>
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73	
Totals	<u>\$ (170,375)</u>	<u>\$ (177,445)</u>	<u>\$ (262,251)</u>	<u>\$ (610,071)</u>

The current Associate Superintendent of Business and Administrative Services and the Senior Director for Pupil Services (who were not employed by the district during the period of audit) were unable to provide any documentation supporting the truanancies claimed.

School sites reviewed consisted of 10 sites in FY 1998-99 and FY 1999-2000 and 11 sites in FY 2000-01. Attendance clerks at the school sites sampled provided various explanations for the unsupported number of truanancies claimed as follows:

- .. At two elementary schools, the attendance clerks stated that notifications were not distributed to a pupil's parent or guardian during the audit period;
- .. At an alternative school, an attendance clerk stated that the school did not send out notifications during FY 1999-2000 because the district's attendance reporting system crashed;
- .. At one of the high schools, an attendance clerk stated that the high school facility where records were stored suffered a fire that destroyed the records;
- .. At two elementary schools, the attendance clerks stated that they were not the attendance clerks or administrator during the audit period and, therefore, were unable to locate the records; and
- .. At a middle school, an attendance clerk stated that parents or guardians were contacted through other means such by telephone and home visits rather than notification letters sent to the parents or guardians. However, no documentation was provided to support this statement.

The auditor reviewed telephone logs and attendance records (even though they are not acceptable in validating the claim) to gain an understanding of the district's process of notifying a pupil's parent or guardian of the required five elements. These records did not support that the required elements were discussed with the pupil's parent or guardian. Furthermore, *Parameters and Guidelines* requires the district to document the five specified elements on the form that is distributed to the pupil's parent or guardian.

*Parameters and Guidelines*, adopted by the State Board of Control on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil's parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1984 (effective January 1, 1995), to require eight specified elements. However, since the *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

*Parameters and Guidelines*, Section I., requires “. . . school districts, upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means, of (1) the pupil truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27.” Furthermore, the guideline states, “. . . district must inform parents and guardians of (1) alternative education programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.”

*Parameters and Guidelines*, Section V.A., states, “The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . .”

*Parameters and Guidelines*, Section V.B.1., states that the claimant shall be reimbursed for “Planning the method of implementation, revising school district policies, and designing and printing the forms.”

*Parameters and Guidelines*, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

*Parameters and Guidelines*, Section V.C., states, “The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator.”

*Parameters and Guidelines*, Section VII., states, “For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .”

### Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although *Parameters and Guidelines* allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with *Education Code* Section 48260.5, which requires the form to contain eight specified elements.

### District's Response

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

### SCO's Comment

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first-class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as certified mail, overnight mail, etc.

*Parameters and Guidelines*, Sections V.A., V.B.1, and V.B.2., allows a district to be reimbursed a specified amount for every initial truancy notification form (letter) distributed to a pupil's parent or guardian that contains five specified elements identified in the *Parameters and Guidelines*.

Telephone calls and home visits are not reimbursable activities. Nevertheless, the SCO auditors reviewed telephone logs, attendance records, and other records to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

In reference to the listings of notification forms, the district identified the total number of initial truancy notification forms claimed by school site, but was unable to reconcile those amounts to students who were truant. Consequently, the SCO used the district’s CTEP02/03 reports to identify the population of the initial truanancies. The district was unable to explain the differences between the notifications claimed and the total initial truanancies identified in its accounting records.

The SCO auditor selected a statistical sample from the total population of supported truanancies for each year based on a 95% confidence level with a precision rate of +/-8% and an expected error rate of 50% or greater. The above method presented a representative sample of the total population for each year.

**FINDING 2—  
Ineligible costs claimed  
for independent study  
students**

The district claimed costs for initial truancy notifications for independent study students, totaling \$5,874 during the audit period, which are ineligible. Independent study students are under an alternative study program and, therefore, cannot be considered truant. District staff members were unable to explain why these students were claimed for this mandated cost program.

Consequently, the following initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are unallowable:

	Audit Adjustment			Total
	Fiscal Year			
	1998-99	1999-2000	2000-01	
Initial truancy notifications claimed	(271)	(219)	(2)	<u>(492)</u>
Uniform cost allowance	\$ 11.70	\$ 12.23	\$ 12.73	
Totals	<u>\$ (3,171)</u>	<u>\$ (2,678)</u>	<u>\$ (25)</u>	<u>\$ (5,874)</u>

*Parameters and Guidelines*, Section V.B.2., states that the claimant shall be reimbursed for “Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . .”

*California Code of Regulations*, Title 5, Section 11700(a), states that “Independent Study” means an alternative to classroom instruction consistent with the district’s course of study. Consequently, independent study students cannot be considered truant.

Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that it claims only eligible costs.

District’s Response

The District will not contest this finding.

**Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2001**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
Number of initial truancy notifications	14,833	—	(14,833)	Findings 1, 2
Uniform cost allowance	\$ 11.70	\$ 11.70	\$ 11.70	
Total costs	<u>\$ 173,546</u>	—	<u>\$(173,546)</u>	
Less amount paid by the State			(173,546)	
Amount paid in excess of allowable costs claimed			<u>\$ 173,546</u>	
<u>July 1, 1999, through June 30, 2000</u>				
Number of initial truancy notifications	14,728	—	(14,728)	Findings 1, 2
Uniform cost allowance	\$ 12.23	\$ 12.23	\$ 12.23	
Total costs	<u>\$ 180,123</u>	—	<u>\$(180,123)</u>	
Less amount paid by the State			(180,123)	
Amount paid in excess of allowable costs claimed			<u>\$ 180,123</u>	
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	20,603	—	(20,603)	Findings 1, 2
Uniform cost allowance	\$ 12.73	\$ 12.73	\$ 12.73	
Total costs	<u>\$ 262,276</u>	—	<u>\$(262,276)</u>	
Less amount paid by the State			(144,196)	
Amount paid in excess of allowable costs claimed			<u>\$ 144,196</u>	
<u>Summary: July 1, 1998, through June 30, 2001</u>				
Total costs	<u>\$ 615,945</u>	\$ —	<u>\$(615,945)</u>	
Less amount paid by the State			(497,865)	
Amount paid in excess of allowable costs claimed			<u>\$ 497,865</u>	

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

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

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June 6, 2003



**FAXED**  
6/9/03

**Jim L. Spano, Chief**  
Compliance Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

**RE: Response to Draft Audit Report  
(Notification of Truancy FY 1998-2001)**

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Compton Unified School District (District) relating to the mandated Notification Truancy Program for the period of July 1, 1998 to June 30, 2001.

The district claimed \$615,945 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on two audit findings.

**Finding 1** – Unsupported initial truancy notification forms for a total cost of \$610,071.

There are major differences between the SCO and the District with regard to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The parameters and guidelines indicate first class mail or other means. This opens the interpretation to include methods other than first-class mail, which may include telephone or home visit. However, SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review the SCO believes they cannot verify and count the notification.

Page 2  
Response to Audit Report  
June 6, 2003

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII,A) the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. The District was able to supply the SCO a listing of notifications for the claim for each year being reviewed.

Site visits by the SCO did not indicate that the notification of truancy information was not distributed; it just indicates that letters were not available. Letters are not required as sole proof per the parameter and guidelines. It cannot be inferred, by talking to the current office personnel at the school site, that the District was not in compliance in prior years.

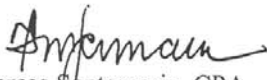
The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

**Finding 2-** Ineligible costs claimed for independent study students, \$5,874.

The District will not contest this finding.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,



Teresa Santamaria, CPA  
Associate Superintendent  
Business and Administrative Services

xc: Jesse Gonzales, CUSD  
Art Luna, SCO  
John Conshafter, MCS Education Services

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

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

C03-MCC-004

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2010, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

April 2015



**BETTY T. YEE**  
California State Controller

April 20, 2015

Wendy Jonathan, President  
Board of Education  
Desert Sands Unified School District  
47-950 Dune Palms Road  
La Quinta, CA 92253

Dear Ms. Jonathan:

The State Controller's Office audited the costs claimed by Desert Sands Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$431,535 for the mandated program. Our audit found that \$374,613 is allowable and \$56,927 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State has not paid the district. The State will pay allowable costs claimed, totaling \$374,613, contingent upon available appropriations.

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

cc: Gary Rutherford, Ed.D., Superintendent  
Desert Sands Unified School District  
James Novak, Ed.D., Assistant Superintendent  
Business Services  
Desert Sands Unified School District  
Karen Stone, Fiscal Services Director  
Desert Sands Unified School District  
Larry Bellanich, Child Welfare and Attendance Director  
Desert Sands Unified School District  
Teresa Hyden, Chief Business Official  
Riverside County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Keith Nezaam, Staff Finance Budget Analyst  
Education Systems Unit  
California Department of Finance  
Christian Osmena, Principal Program Budget Analyst  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Desert Sands Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$431,535 for the mandated program. Our audit found that \$374,613 is allowable and \$56,922 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed, totaling \$374,613, contingent upon available appropriations.

## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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

The parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.



## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2010, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

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

For the audit period, Desert Sands Unified School District claimed \$431,535 for costs of the Notification of Truancy Program. Our audit found that \$374,613 is allowable and \$56,922 is unallowable.

The State made no payments to the district. Our audit found that \$374,613 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$374,613, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 19, 2015. James Novak, Ed.D., Assistant Superintendent, Business Services; and Karen Stone, Fiscal Services Director, agreed with the audit results. Dr. Novak declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 20, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	11,088	9,506	(1,582)	Findings 1 & 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs <sup>2</sup>	<u>\$ 202,800</u>	173,865	<u>\$ (28,935)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 173,865</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	12,096	10,616	(1,480)	Findings 1 & 2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs <sup>2</sup>	<u>\$ 228,735</u>	200,748	<u>\$ (27,987)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 200,748</u>		
<u>Summary: July 1, 2010, through June 30, 2012</u>				
Total program costs	<u>\$ 431,535</u>	\$ 374,613	<u>\$ (56,922)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 374,613</u>		

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

<sup>2</sup> Minor calculation differences due to rounding.

# Findings and Recommendations

## **FINDING 1— Unsupported and unallowable initial truancy notifications**

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$22,699. The costs are unallowable for the following reasons:

- The district claimed costs for distributing 23,184 initial truancy notifications, but only provided support that it distributed 23,102. This represents a difference of 82 notifications (34 for FY 2010-11, and 48 for FY 2011-12).
- The initial truancy notifications that the district did support included 1,138 for charter school students. However, charter schools are not eligible for reimbursement of state-mandated costs.

For fiscal year (FY) 2010-11, the district claimed costs for distributing 11,088 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 11,054 notifications, a difference of 34 initial truancy notifications. Additionally, there were 565 unallowable initial truancy notifications distributed for students in charter schools based on the district's electronic list.

For FY 2011-12, the district claimed costs for distributing 12,096 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 12,048 notifications, a difference of 48 initial truancy notifications. Additionally, there were 573 unallowable initial truancy notifications distributed for students in charter schools based on the district's electronic list.

Government Code section 17519, defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

The program's parameters and guidelines (section IV – Reimbursable Costs), state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual costs was incurred for the event or activity in question. Source documents may include, but are not limited to employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section V.A – Claim Preparation, Uniform Cost Allowance Reimbursement), state:

Each claim for reimbursement pursuant to Education Code section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program. Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian. The agency must maintain documentation that indicates the total number of initial notifications of truancy distributed.

The parameters and guidelines (section VI – Record Retention), state:

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

The following table summarizes the overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year		Total
	2010-11	2011-12	
Initial truancy notifications supported by district	11,054	12,048	23,102
Less initial truancy notifications claimed	(11,088)	(12,096)	(23,184)
Unsupported initial truancy notifications	(34)	(48)	(82)
Unallowable charter school notifications	(565)	(573)	(1,138)
(Overclaimed) initial truancy notifications	(599)	(621)	(1,220)
Uniform cost allowance	\$ 18.29	\$ 18.91	
Audit adjustment	\$ (10,956)	\$ (11,743)	\$ (22,699)

### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

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

The district claimed non-reimbursable initial truancy notifications totaling \$34,223. The district claimed initial truancy notification costs that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district claimed initial truancy notifications distributed for students who were either under the age of six or over the age of eighteen when the absences occurred. Under California law, only students between the ages of six and eighteen are subject to compulsory school attendance.

For each fiscal year, from the allowable population identified in Finding 1, we selected a statistical sample based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on the student's grade level, we stratified the allowable population into two groups: elementary students subject to daily attendance accounting, and middle and high school students subject to period attendance accounting. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting system. As noted in Finding 1, we excluded notifications for unsupported students and charter school students from the stratified populations.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year	
	2010-11	2011-12
Unexcused absences or tardiness occurred when:		
Students were under six years of age	14	15
Students were 18 years of age or over	4	6
Students did not accumulate the required number of absences or tardiness to be classified as a truant	8	1
Unallowable initial truancy notifications	<u>26</u>	<u>22</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year		Total
	2010-11	2011-12	
<u>Elementary Schools</u>			
Unallowable initial truancy notifications	21	16	
Sample size	<u>146</u>	<u>146</u>	
Percentage of unallowable initial truancy notifications	14.38%	10.96%	
Population sampled	<u>5,695</u>	<u>5,658</u>	
Extrapolated number of unallowable initial truancy notifications	819	620	
Uniform cost allowance	<u>\$18.29</u>	<u>\$18.91</u>	
Audit adjustment - Elementary schools <sup>1</sup>	<u>\$14,979</u>	<u>\$11,724</u>	\$26,703
<u>Middle/High Schools</u>			
Unallowable initial truancy notifications	5	6	
Sample size	<u>146</u>	<u>146</u>	
Percentage of unallowable initial truancy notifications	3.42%	4.11%	
Population sampled	<u>4,794</u>	<u>5,817</u>	
Extrapolated number of unallowable initial truancy notifications	164	239	
Uniform cost allowance	<u>\$18.29</u>	<u>\$18.91</u>	
Audit adjustment - Middle/High schools <sup>1</sup>	<u>\$3,000</u>	<u>\$4,520</u>	\$7,520
Total audit adjustment <sup>1</sup>	<u>\$17,979</u>	<u>\$16,244</u>	<u>\$34,223</u>

<sup>1</sup> Calculation differences due to rounding.

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

Education Code section 48260, subdivision (a), states:

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

The parameters and guidelines (section 1 – Background and Summary of Mandate) state:

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

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

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

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



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2003, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

February 2009



**JOHN CHIANG**  
**California State Controller**

February 13, 2009

Patricia Martinez-Roach, President  
Board of Trustees  
East Side Union High School District  
830 North Capitol Avenue  
San Jose, CA 95133

Dear Ms. Martinez-Roach:

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

The district claimed \$865,273 for the mandated program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$376,110. Allowable costs claimed exceed the amount paid by \$463,505.

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Bob Nunez, Superintendent  
    East Side Union High School District  
Jerry Kurr, Associate Superintendent  
    East Side Union High School District  
Charles Weis, Santa Clara County Superintendent of Schools  
    Santa Clara County Office of Education  
Scott Hannan, Director  
    School Fiscal Services Division  
    California Department of Education  
Carol Bingham, Director  
    Fiscal Policy Division  
    California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
    School Fiscal Services Division  
    California Department of Education  
Jeannie Oropeza, Program Budget Manager  
    Education Systems Unit  
    Department of Finance

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# Audit Report

## Summary

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

The district claimed \$865,273 for the mandated program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible notification of truancy cases. The State paid the district \$376,110. Allowable costs claimed exceed the amount paid by \$463,505.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year.

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

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987.

On February 23, 2007, Assembly Bill 1698 (Chapter 60, Statutes of 2007) directed the CSM to amend the parameters and guidelines by January 31, 2008, regarding the definition of a truant and the elements included in the initial truancy notification to conform to Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995. The CSM adopted amended parameters and guidelines on January 31, 2008, effective for FY 2006-07.

Education Code section 48260.5 (as amended by Chapter 1023, Statutes of 1994), requires school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Education Code section 48260 (amended by Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, and renumbered from section 48260) states that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

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

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

## **Conclusion**

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

For the audit period, the East Side Union High School District claimed \$865,273 for costs of the Notification of Truancy Program. Our audit disclosed that \$839,615 is allowable and \$25,658 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$172,621. Our audit disclosed that \$159,835 is allowable. The State will offset \$12,786 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$180,970. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$252,168 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$252,168, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$22,519. Our audit disclosed that \$246,642 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$224,123, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on December 11, 2008. Jerry Kurr, Associate Superintendent, responded by letter dated January 12, 2009 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

February 13, 2009

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	12,637	11,701	(936)	Finding 1, 2
Uniform cost allowance	× \$ 13.66	× \$ 13.66	× \$ 13.66	
Total program costs	<u>\$ 172,621</u>	\$ 159,835	<u>\$ (12,786)</u>	
Less amount paid by the State		<u>(172,621)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (12,786)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	12,673	12,673	—	
Unit cost per initial notifications	× \$ 14.28	× \$ 14.28	—	
Total program costs	<u>\$ 180,970</u>	180,970	<u>\$ —</u>	
Less amount paid by the State		<u>(180,970)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	16,227	16,227	—	
Unit cost per initial notifications	× \$ 15.54	× \$ 15.54	—	
Total program costs	<u>\$ 252,168</u>	\$ 252,168	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 252,168</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	16,069	15,272	(797)	Finding 1, 2
Unit cost per initial notifications	× \$ 16.15	× \$ 16.15	× \$ 16.15	
Total program costs	<u>\$ 259,514</u>	\$ 246,642	<u>\$ (12,872)</u>	
Less amount paid by the State		<u>(22,519)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 224,123</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total program costs	<u>\$ 865,273</u>	\$ 839,615	<u>\$ (25,658)</u>	
Less amount paid by the State		<u>(376,110)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 463,505</u>		

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



# Findings and Recommendations

**FINDING 1—  
Unsupported number  
of initial truanancies**

The district claimed \$19,397 in unsupported initial truancy notification costs for the audit period.

The district’s attendance records did not support the number of initial truancy notification forms that the district reported on its mandated claims. The district overstated the initial truancy notifications by 856 for fiscal year (FY) 2003-04 and by 477 for FY 2006-07.

We reviewed all truanancies claimed. The district claimed 12,637 truanancies for FY 2003-04 and 16,069 for FY 2006-07. However, the district records supported only 11,781 and 15,592, respectively.

The following table summarizes overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year		Total
	2003-04	2006-07	
Number of initial truancy notifications supported by district records	11,781	15,592	
Less initial truancy notifications claimed	<u>(12,637)</u>	<u>(16,069)</u>	
Unsupported initial truancy notifications	(856)	(477)	
Uniform cost allowance	× \$13.66	× \$16.15	
Audit adjustment	<u>\$ (11,693)</u>	<u>\$ (7,704)</u>	<u>\$ (19,397)</u>

The program’s parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

District’s Response

The district agreed with the finding.

**FINDING 2—  
Ineligible truancy  
notifications claimed**

The district claimed \$6,261 in ineligible truancy notification costs for FY 2003-04 and FY 2006-07. The district claimed ineligible initial truancy notifications for students who accumulated less than the required number of unexcused absences or tardies to be classified as truant under the mandated program.

We measured the error rate through statistical sampling. We selected a statistical sample for each fiscal year from the total population of truancy cases based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sampling so that the results could be projected to the total truancy population. We reviewed a random sample of 148 and 149 truanies for FY 2003-04 and FY 2006-07, respectively, of which one for FY 2003-04 and three for FY 2006-07 were ineligible truanies. The truanies were ineligible because the students did not have the required number of unexcused absences or tardies to be classified as truant.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2003-04	2006-07	
Number of ineligible initial truancy notifications	(1)	(3)	
Sample size	÷ 148	÷ 149	
Percentage of ineligible initial truancy notifications Population	(0.68)% × 11,781	(2.05)% × 15,592	
Projected ineligible initial truancy notifications	<u>(80)</u>	<u>(320)</u>	
Ineligible number of truancy notifications	(80)	(320)	
Uniform cost allowance	× \$13.66	× \$16.15	
Audit adjustment	<u>\$ (1,093)</u>	<u>\$ (5,168)</u>	<u>\$ (6,261)</u>

For FY 2003-04, the parameters and guidelines state that a truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. However, the parameters and guidelines were amended for FY 2006-07 to state that a truancy occurs when a student is absent from school without a valid excuse three full days in one school year, or is tardy or absent without valid excuse for more than any 30 minute period during the school day on three occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District’s Response

The district agreed with the finding.

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

---



## East Side Union High School District

830 North Capitol Avenue • San José, California 95133-1316 • 408-347-5000

*Academic, personal and social success for each and every student.*

*Bob Nuñez, Superintendent*

January 12, 2009

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

Dear Mr. Spano,

This letter is to confirm that we agree to the findings stated on your certified letter received dated December 17, 2008. The letter for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2003 through June 30, 2007.

We will follow your recommendation to ensure maintaining supporting documentation as required by the parameters and guidelines. Only claiming initial truancy notification for those students who meet the truancy definition provided in the parameter and guidelines.

Thank you.

Sincerely,

Jerry Kurr  
Associate Superintendent of  
Administration and Business Services

cc: George Sanchez, Administrator of Student Services, ESUHSD  
Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office

**BOARD OF TRUSTEES:** Frank Biehl, Eddie Garcia, J. Manuel Herrera, Patricia Martinez-Roach, Lan Nguyen.  
It is the policy of the East Side Union High School District not to discriminate on the basis of sex, age, religion, race or national origin, sexual orientation, or handicapping condition in its educational programs and activities or in the recruitment and employment of personnel.

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

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

# **ELK GROVE UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2006, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

April 2012



**JOHN CHIANG**  
**California State Controller**

April 20, 2012

Chet Madison, Sr., President  
Board of Education  
Elk Grove Unified School District  
9510 Elk Grove-Florin Road  
Elk Grove, CA 95624

Dear Mr. Madison:

The State Controller's Office audited the costs claimed by the Elk Grove Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,057,476 for the mandated program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The costs are unallowable because the district claimed overstated and non-reimbursable initial truancy notifications. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, contingent upon available appropriations.

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

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Steven M. Ladd, Ed.D., Superintendent  
Elk Grove Unified School District  
Rich Fagan, Associate Superintendent  
Finance and School Support  
Elk Grove Unified School District  
Carrie Hargis, Director of Fiscal Services  
Elk Grove Unified School District  
Shelley Clark, Manager of Accounting  
Elk Grove Unified School District  
David W. Gordon, Superintendent of Schools  
Sacramento County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
David Kopperud, Education Programs Consultant  
State SARB  
California Department of Education  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office



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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Elk Grove Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,057,476 for the mandated program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The costs are unallowable because the district claimed overstated and non-reimbursable initial truancy notifications. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, contingent upon available appropriations.

## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

## **Conclusion**

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

For the audit period, the Elk Grove Unified School district claimed \$1,057,476 for costs of the Notification of Truancy Program. Our audit disclosed that \$751,694 is allowable and \$305,782 is unallowable. The State paid the district \$152,967. The State will pay allowable costs claimed that exceed the amount paid, totaling \$598,727, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a revised draft audit report on January 27, 2012. Rich Fagan, Associate Superintendent, Finance and School Support, responded by letter dated February 14, 2012 (Attachment). The district disagreed with one sentence in Finding 1 and identified its current truancy policy in response to Finding 2. However, the district did not state whether it agreed or disagreed with the audit adjustments identified in the audit findings. This final audit report includes the district's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

April 20, 2012

**Schedule 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	13,623	12,702	(921)	Findings 1, 2
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Total program costs <sup>2</sup>	<u>\$ 220,011</u>	<u>\$ 205,137</u>	<u>\$ (14,874)</u>	
Less amount paid by the state		(20,345)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 184,792</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	13,329	12,515	(814)	Findings 1, 2
Unit cost per initial notifications	x \$17.28	x \$17.28	x \$17.28	
Total program costs <sup>2</sup>	<u>\$ 230,325</u>	<u>\$ 216,258</u>	<u>\$ (14,067)</u>	
Less amount paid by the state		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 216,249</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of truancy notifications	24,965	10,523	(14,442)	Findings 1, 2
Unit cost per initial notifications	x \$17.74	x \$17.74	x \$17.74	
Total program costs <sup>2</sup>	<u>\$ 442,879</u>	<u>\$ 186,678</u>	<u>\$ (256,201)</u>	
Less amount paid by the state		(100,349)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,329</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of truancy notifications	9,192	8,037	(1,155)	Findings 1, 2
Unit cost per initial notifications	x \$17.87	x \$17.87	x \$17.87	
Total program costs <sup>2</sup>	<u>\$ 164,261</u>	<u>\$ 143,621</u>	<u>\$ (20,640)</u>	
Less amount paid by the state		(32,264)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 111,357</u>		
<u>Summary: July 1, 2006, through June 30, 2010</u>				
Total program costs	<u>\$ 1,057,476</u>	<u>\$ 751,694</u>	<u>\$ (305,782)</u>	
Less amount paid by the state		(152,967)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 598,727</u>		

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

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

## **FINDING 1— Overstated number of initial truancy notifications claimed**

For the audit period, the district claimed unallowable costs totaling \$243,289. The costs are unallowable for the following reasons:

- The district claimed costs for Fiscal Year (FY) 2008-09 based on the number of students who met the statutory definition of a truant rather than the actual number of initial truancy notifications distributed. Education Code section 48260, subdivision (a), defines a truant as a student who accumulates three unexcused absences or tardiness occurrences, or any combination thereof. Education Code section 48260.5 requires the district to distribute an initial truancy notification upon the student's initial classification as a truant.

However, the district's policy is to classify a student as truant once the student accumulates five, rather than three, unexcused absences or tardiness occurrences. Similarly, the district distributes initial truancy notifications only when a student accumulates five unexcused absences or tardiness occurrences.

The district contracted with MAXIMUS, Inc. to prepare and submit its Notification of Truancy Program mandated cost claims for FY 2006-07, FY 2007-08, and FY 2008-09. For FY 2008-09, the district followed its practice from prior years to provide MAXIMUS, Inc. with the number of initial truancy notifications distributed for those students who accumulated five unexcused absences or tardiness occurrences. The district documented 11,741 notifications. However, a MAXIMUS, Inc. vice president directed a subordinate to prepare the district's FY 2008-09 claim based on students who accumulated three, rather than five, unexcused absences or tardiness occurrences. The vice president directed her subordinate to prepare the claim in this manner "to maximize the district's cash flow for the Notification of Truancy mandated program." As a result, the district submitted a claim based on 24,965 notifications, overstating the claim by \$234,594. MAXIMUS, Inc. no longer employs the vice president and the district no longer contracts with MAXIMUS, Inc. to prepare its mandated cost claims.

The district contracted with a second consultant to prepare its FY 2009-10 mandated cost claims. The district and second consultant mutually agreed to prepare the district's FY 2009-10 Notification of Truancy Program claim using data supplied by MAXIMUS, Inc. The district did not require the second consultant to audit the data provided by MAXIMUS, Inc. The district originally submitted a FY 2009-10 claim based on 25,401 initial truancy notifications distributed. The number of notifications reported was overstated in the same manner as in the district's FY 2008-09 claim. During our audit fieldwork, the district submitted an amended claim based on the actual number of notifications distributed per its records. The district's amended claim reflected 9,192 notifications, a claim reduction of \$289,655.

- The district overstated the number of allowable initial truancy notifications distributed for FY 2006-07 and FY 2009-10. The district provided a list of students for whom it distributed initial truancy notifications. For both fiscal years, the number of documented notifications did not agree with the number of notifications claimed.
- The district claimed duplicate initial truancy notifications because it distributed more than one notification for some students during the school year.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Number of notifications documented:					
Daily attendance accounting	2,546	2,580	2,063	2,102	
Period attendance accounting	11,071	10,749	9,678	6,793	
Total number of notifications documented	13,617	13,329	11,741	8,895	
Less duplicate notifications distributed	(23)	(17)	(6)	(141)	
Allowable number of notifications documented	13,594	13,312	11,735	8,754	
Notifications claimed	(13,623)	(13,329)	(24,965)	(9,192)	
Unallowable notifications claimed	(29)	(17)	(13,230)	(438)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Audit adjustment	\$ (468)	\$ (294)	\$ (234,700)	\$ (7,827)	\$ (243,289)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

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

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

#### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. In addition, we recommend that the district exclude from this count multiple notifications that it distributes for the same student(s) within the school year.

#### District's Response

The district disagreed with the factual accuracy of one sentence within the audit finding. The district did not respond to the factual accuracy of the audit adjustment.

#### SCO's Comment

We revised the narrative regarding the circumstances leading to the district's FY 2009-10 claim. The remainder of the finding, and the recommendation, are unchanged.

**FINDING 2—  
Unallowable initial  
truancy notifications**

The district claimed unallowable initial truancy notifications totaling \$62,493. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant based on the district's truancy policy.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting.

For special education students enrolled in middle or high school, the district accounts for each student's attendance based on the student's course of study. These students may be subject to either daily or period attendance accounting. Therefore, we excluded notifications distributed for special education students attending middle or high school from the population used to select our sample and extrapolate the sample results. The following table summarizes the notifications sampled:

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Daily attendance accounting:				
Documented notifications	2,546	2,580	2,063	2,102
Less duplicate notifications	(5)	(1)	(1)	(30)
Total notifications sampled, daily attendance accounting	<u>2,541</u>	<u>2,579</u>	<u>2,062</u>	<u>2,072</u>
Period attendance accounting:				
Documented notifications	11,071	10,749	9,678	6,793
Less special education students	(71)	(70)	(59)	(46)
Less duplicate notifications	(18)	(16)	(5)	(111)
Total notifications sampled, period attendance accounting	<u>10,982</u>	<u>10,663</u>	<u>9,614</u>	<u>6,636</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Contrary to Education Code sections 48260, subdivision (a), and 48260.5, the district's policy was to classify students as truant and issue initial truancy notifications only when students accumulated five (rather than three) unexcused absences or tardiness occurrences. Therefore, we allowed initial truancy notifications only for those students whose attendance records documented five unexcused absences or tardiness occurrences accumulated between ages 6 and 18. Some initial truancy notifications were unallowable for the following reasons:

- Students accumulated fewer than five unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than five unexcused absences or tardiness occurrences.



The following table summarizes the unallowable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Fewer than five while between ages 6 and 18	(22)	(20)	(17)	(15)
Fewer than five total	<u>(3)</u>	<u>(8)</u>	<u>(8)</u>	<u>(6)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(25)</u>	<u>(28)</u>	<u>(25)</u>	<u>(21)</u>
Period attendance accounting:				
Fewer than five while between ages 6 and 18	(4)	(3)	(10)	(8)
Fewer than five total	<u>(2)</u>	<u>(1)</u>	<u>(3)</u>	<u>(1)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(6)</u>	<u>(4)</u>	<u>(13)</u>	<u>(9)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Daily attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(25)	(28)	(25)	(21)	
Statistical sample size	÷ 142	÷ 142	÷ 140	÷ 140	
Unallowable percentage	(17.61)%	(19.72)%	(17.86)%	(15.00)%	
Population sampled	x 2,541	x 2,579	x 2,062	x 2,072	
Extrapolated number of unallowable initial truancy notifications	(447)	(509)	(368)	(311)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Unallowable costs, daily attendance accounting	\$ (7,219)	\$ (8,796)	\$ (6,528)	\$ (5,558)	\$ (28,101)
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(6)	(4)	(13)	(9)	
Statistical sample size	÷ 148	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(4.05)%	(2.70)%	(8.78)%	(6.12)%	
Population sampled	x 10,982	x 10,663	x 9,614	x 6,636	
Extrapolated number of unallowable initial truancy notifications	(445)	(288)	(844)	(406)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Unallowable costs, period attendance accounting	\$ (7,187)	\$ (4,977)	\$ (14,973)	\$ (7,255)	(34,392)
Audit adjustment <sup>1</sup>	\$ (14,406)	\$ (13,773)	\$ (21,501)	\$ (12,813)	\$ (62,493)

<sup>1</sup> Calculation differences due to rounding.

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

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

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

The parameters and guidelines state:

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

### Recommendation

We recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant under the district's truancy policy. We also recommend that the district revise its truancy policy to classify a student as truant, and issue the required initial truancy notification, upon the student's third unexcused absence or tardiness occurrence.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

### District's Response

The District offers the following clarification regarding its truancy policy:

Elk Grove Unified School District truancy policy states that parents/guardians are notified the day in which a student is marked truant (as defined in Education Code section 48260) via a telephone call. Written notification is mailed to the parent/guardian upon the student's fifth unexcused absence or tardiness. **As stated in section 48260.5 of the Education Code, school districts shall notify using the most cost-effective method possible, which may include electronic, mail or a telephone call.** These practices were implemented to provide parents/guardians with the timeliest method of notification. The written mailed notification on the fifth occurrence ensures our SARB process to address habitual truancy issues as defined by statute is additional documentation to ensure that our parents are made aware of the truancy.

### SCO's Comment

Our finding and recommendation remain unchanged. The district did not identify the effective date of its stated truancy policy. During our audit fieldwork, the district confirmed its truancy policy on multiple occasions. At no time did the district state that it performed both telephone calls and written notifications.

The district cites Education Code section 48260.5 effective October 19, 2010, which is subsequent to the audit period. For FY 2006-07 through FY 2009-10, Education Code section 48260.5 stated that the district “shall notify the pupil’s parent or guardian, by first-class mail or other reasonable means” of the student’s truancy. The parameters and guidelines specify that the mandate-reimbursable activity requires the district to prepare and distribute a form upon a student’s initial classification as a truant. Therefore, even if the district had made telephone calls during the audit period, the cost of the telephone calls would not have been reimbursable under the mandated program.

In addition, although Education Code section 48260.5 was amended, the parameters and guidelines have not been amended. Therefore, the district’s current stated truancy policy does not comply with the mandated program’s requirements until the Commission on State Mandates (CSM) amends the parameters and guidelines. If the CSM amends the parameters and guidelines to allow notifications made by telephone, the parameters and guidelines will identify documentation that the district must maintain to support any telephone notifications claimed for mandated-program reimbursement.

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

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Unified School District

Members of the Board:  
Jeanette J. Amavisca  
Pollyanna Cooper-LeVangie  
Priscilla S. Cox  
Pamela A. Irely  
William H. Lugg, Jr.  
Chet Madison, Sr.  
Al Rowlett

**Rich Fagan**  
Associate Superintendent  
of Finance & School Support  
(916) 686-7744  
FAX: (916) 686-7570  
rfagan@egusd.net

9510 Elk Grove Florin Road, Elk Grove, CA 95624

February 14, 2012

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

Subject: Elk Grove Unified School District  
Notification of Truancy Program  
Audit of Mandated Cost Reimbursement Claims  
Fiscal Years 2006/07 to 2009/10

Dear Mr. Spano,

This letter is in response to the revised draft audit report issued January 27, 2012 by the State Controller's Office (SCO) regarding costs claimed by Elk Grove Unified School District (District) for the legislatively mandated Notification of Truancy Program for the period of July 1, 2006 through June 30, 2010. The District appreciates the work of the SCO in providing a revised draft report which included corrections to the draft that was reviewed during the January 23, 2012 exit conference.

***Finding 1 – Overstated number of initial truancy notifications claimed***

The revised draft report states on page 5 (fourth paragraph under first bullet) "MAX8550 prepared the district's FY2009-10 Notification of Truancy Program claim in the same manner that MAXIMUS, Inc. prepared the district's FY2008-09 claim"; this statement is incorrect. Due to timing it was mutually agreed upon by both the District and MAX8550 that MAX8550 would prepare the FY 2009-10 claim using the data supplied by MAXIMUS, the District's previous consultant. In addition, MAX8550 was not required to audit the data provided by MAXIMUS.

*Elk Grove Unified School District – Excellence by Design*

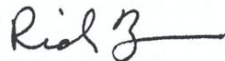
***Finding 2 – Unallowable initial truancy notifications***

The District offers the following clarification regarding its truancy policy:

Elk Grove Unified School District truancy policy states that parents/guardians are notified the day in which a student is marked truant (as defined in Education Code section 48260) via telephone call. Written notification is mailed to the parent/guardian upon the student's fifth unexcused absence or tardiness. **As stated in section 48260.5 of the Education Code, school districts shall notify using the most cost-effective method possible, which may include electronic, mail or a telephone call.** These practices were implemented to provide parents/guardians with the timeliest method of notification. The written mailed notification on the fifth occurrence ensures our SARB process to address habitual truancy issues as defined by statute is additional documentation to ensure that our parents are made aware of the truancy.

The District appreciates both the professionalism of SCO staff during this audit and the opportunity to provide this response.

Sincerely,



Rich Fagan  
Associate Superintendent of Finance & School Support

CH:H:\Mandated Cost Claims - Audit\NOT\NOT Audit Reponse.Doc

c: Steven M. Ladd, Ed.D., Superintendent  
Tom Jenkins, Chief of Police  
Carl Steinauer, Director of Student Support & Health Services  
Carrie Hargis, Director of Fiscal Services  
Shelley Clark, Accounting Manager

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

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

# **FRESNO UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1999, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

February 2005





**STEVE WESTLY**  
California State Controller

February 18, 2005

Santiago Wood, Ed.D., Superintendent  
Fresno Unified School District  
2309 Tulare Street  
Fresno, CA 93721

Dear Dr. Wood:

The State Controller's Office audited the claims filed by the Fresno Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$943,847 for the mandated program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable. The unallowable costs occurred because the district distributed initial truancy notifications that did not contain the specified elements required by the mandate. The State paid the district \$672,900. The amount paid exceeds allowable costs claimed by \$147,224.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link) and IRC forms by telephone at (916) 323-3562 or by e-mail at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

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

Sincerely,

*Original Signed By:*

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Paul Disario, Ed.D.

Associate Superintendent/Chief Financial Officer  
Fresno Unified School District

Jacque Canfield

Administrator, Fiscal Services  
Fresno Unified School District

Peter G. Mehas, Ph.D., County Superintendent of Schools  
Fresno County Office of Education

Scott Hannan, Director

School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education

Gerry Shelton, Director

Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Fresno Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was January 6, 2004.

The district claimed \$943,847 for the mandated program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable. The unallowable costs occurred because the district distributed initial truancy notifications that did not contain the specified elements required by the mandate. The State paid the district \$672,900. The total amount paid exceeds allowable costs claimed by \$147,224.

## Background

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

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

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

## Conclusion

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Fresno Unified School District claimed \$943,847 for costs of the Notification of Truancy Program. Our audit disclosed that \$525,676 is allowable and \$418,171 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$342,000 by the State. Our audit disclosed that \$195,998 is allowable. The district should return \$146,002 to the State.

For FY 2000-01, the district was paid \$202,980 by the State. Our audit disclosed that \$114,430 is allowable. The district should return \$88,550 to the State.

For FY 2001-02, the district was paid \$127,920 by the State. Our audit disclosed that \$215,248 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$87,328, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft report on October 28, 2004. Paul Disario, Associate Superintendent/Chief Financial Officer, responded by letter dated December 2, 2004, disagreeing with the audit results. This report includes the district's response.

**Restricted Use**

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

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments <sup>1</sup></u>
<u>July 1, 1999, through June 30, 2000</u>			
Number of initial truancy notifications	27,964	16,026	(11,938)
Uniform cost allowance	<u>× \$12.23</u>	<u>× \$12.23</u>	<u>× \$12.23</u>
Total costs	<u>\$ 342,000</u>	\$ 195,998	<u>\$(146,002)</u>
Less amount paid by the State		<u>(342,000)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(146,002)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Number of initial truancy notifications	15,945	8,989	(6,956)
Uniform cost allowance	<u>× \$12.73</u>	<u>× \$12.73</u>	<u>× \$12.73</u>
Total costs	<u>\$ 202,980</u>	\$ 114,430	<u>\$(88,550)</u>
Less amount paid by the State		<u>(202,980)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(88,550)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Number of initial truancy notifications	30,896	16,673	(14,223)
Uniform cost allowance	<u>× \$12.91</u>	<u>× \$12.91</u>	<u>× \$12.91</u>
Total costs	<u>\$ 398,867</u>	\$ 215,248	<u>\$(183,619)</u>
Less amount paid by the State		<u>(127,920)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(87,328)</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Total costs	<u>\$ 943,847</u>	\$ 525,676	<u>\$(418,171)</u>
Less amount paid by the State		<u>(672,900)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$(147,224)</u>	

<sup>1</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Non-compliant initial  
truancy notification  
forms claimed**

During the audit period, the district claimed \$943,847 for 74,805 initial truancy notification forms. Of this amount, \$418,171 claimed for 33,117 notification forms distributed to parents or guardians was not reimbursable because the notification forms did not contain the specified elements required by the mandate. Our audit revealed that, upon a student being classified as initially truant with three unexcused absences, a standard notification letter was distributed to the pupil’s parent or guardian. The standard letter included only two of the five elements required by the mandate; therefore, costs claimed for these truanancies are unallowable.

For the remaining 41,668 notifications claimed, two letters were distributed for each pupil, the first when the student was classified as initially truant after three unexcused absences, and a second when the pupil had additional unexcused absences. We selected a statistical sample from the population of second notifications for each year, based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample, so the sample results could be projected to the population. The standard second letter contained all five of the required elements. The district provided documentation supporting the number of second notifications distributed to pupils’ parents or guardians. Consequently, costs claimed for these truanancies, totaling \$525,676, are allowable.

A summary of adjustments for non-compliant notification forms claimed is as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Number of non-compliant initial truancy notifications claimed	(11,938)	(6,956)	(14,223)	<u>(33,117)</u>
Claimed uniform costs allowance	× \$12.23	× \$12.73	× \$12.91	
Audit adjustment	<u>\$(146,002)</u>	<u>\$(88,550)</u>	<u>\$(183,619)</u>	<u>\$(418,171)</u>

*Parameters and Guidelines*, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to the pupil’s parent or guardian contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1984, (effective January 1, 1995) to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

*Parameters and Guidelines*, Section I, requires school districts, upon a pupil’s initial classification as a truant, to notify the pupil’s parent or guardian, by first-class mail or other reasonable means, of (1) the pupil’s truancy; (2) the parent’s or guardian’s obligation to compel the attendance of the pupil at school; and (3) that parents or guardians who



fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27. Furthermore, the guidelines provide that a district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

*Parameters and Guidelines*, Section VII, requires that, for audit purposes, documents must be kept on file for three years from the date of final payment by the State Controller.

#### Recommendation

We recommend the district develop and implement an adequate accounting and reporting system to ensure that it claims only initial truancy notifications distributed to the pupil's parent or guardian that contain all required elements. Although *Parameters and Guidelines* requires the notification to contain only five specified elements for the district to be subject to reimbursement, *Education Code* Section 48260.5 requires the notification to contain eight specified elements for the district to comply with statutory requirements.

#### District's Response

This letter is in regards to the offset of the Habitual Truancy Letters for fiscal years 1999/00, 2000/01, and 2001/02 for the Notice of Truancy Letters.

The initial audit began on January 13, 2003, for the Notice of Truancy Audit. During the audit it was discovered that Fresno Unified did not have all components in the Notice of Truancy, but as noted by the State Controller Office the letter sent out for Habitual Truancy fulfilled these requirement. This concept was presented in a phone conference with Chris Prasad and Amy Cheung. The draft report does not mention this item.

The last communication with the State Controller's office before the draft report was in January 2004. We were asked to gather 30 sample letters from the habitual truancy list that was sent to the State Controller's office on November 2003.

While preparing a response to the draft audit we learned the original files sent to the State Controller's office included student records outside of the designated years. We had our Technology Services Department run the correct list, which is attached in electronic form for your review. This new list excluded two students from the sample list of 30—since they were not from the designated years. In a separate letter, we have attached the remaining 28 letters from the sample list.

On the following page is an analysis that shows how much the District can claim for the Notice of Truancy Claim minus the Habitual Truancy Mandate. If we were able to offset the claim with the habitual truancy notifications, the District would be allowed to offset the disallowance by \$423,474.

Fiscal Year	Original Notice of Truancy	Habitual Notice	Notice of Truancy Rate	Revised Notice of Truancy of Gross Claim Amt.	Reduce from Habitual Mandate-Making a Conscientious Effort to Schedule a Parent Conference	Able to Claim for Notice of Truancy
2001/02	398,867	15,356	12.91	198,246	22,086	176,160
2000/01	202,980	7,947	12.73	101,165	12,900	88,265
1999/00	342,000	15,310	12.23	187,241	28,192	159,049
<b>TOTAL</b>	<b>943,847</b>	<b>38,613</b>		<b>486,652</b>	<b>63,178</b>	<b>423,474</b>

Fresno Unified did in good faith implement the Notice of Truancy by sending out letters. Unfortunately, the letters were missing 3 of the 5 elements within the letter. To reduce the claim to zero shows that the District did not incur any costs to implement the mandate, when in fact we can offset the claim with the habitual truancy letter of \$423,474.

Fresno Unified claimed \$943,847 and has received \$672,900 against that claim. We believe the claim should be revised to \$423,474 for these years and that Fresno Unified should return \$249,426 to the State for the discrepancies.

**SCO's Comment**

The finding and recommendation for the unsupported notifications have been revised, based on the additional information provided by the district for FY 1999-2000 through FY 2001-02. The finding as it relates to the non-compliant notifications issued remains unchanged.

After the issuance of the draft audit report, the district provided notification letters to support the number of second notifications that contained all five of the required elements. The district responded that, of the \$943,847 claimed, \$423,474 should be allowable. However, our review revealed that \$525,676 should be allowable, a difference of \$102,202. The final report has been revised to allow \$525,676 in costs, resulting in unallowable costs of \$418,171.

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

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**FRESNO UNIFIED  
SCHOOL DISTRICT**

Education Center, 2309 Tulare Street  
Fresno, California 93721-2287  
(559) 457-3000

Document # 1B Page 2/5  
Auditor ac Date JAN 15 2004  
Reviewer \_\_\_\_\_ Date \_\_\_\_\_

**BOARD OF EDUCATION**  
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**INTERIM SUPERINTENDENT**  
Walt Buster, Ed.D.

December 2, 2004

Mr. Jim L. Spano, Chief, Compliance Audits Bureau  
State Controllers' Office-Division of Audits  
300 Capitol Mall, Suite 518  
Sacramento, CA 95814

Dear Mr. Spano:

This letter is in regards to the offset of the Habitual Truancy Letters for fiscal years 1999/00, 2000/01, and 2001/02 for the Notice of Truancy Letters.

The initial audit began on January 13, 2003, for the Notice of Truancy Audit. During the audit it was discovered that Fresno Unified did not have all components in the Notice of Truancy, but as noted by the State Controller Office the letter sent out for Habitual Truancy fulfilled these requirement. This concept was presented in a phone conference with Chris Prasad and Amy Cheung. The draft report does not mention this item.

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While preparing a response to the draft audit we learned the original files sent to the State Controller's office included student records outside of the designated years. We had our Technology Services Department run the correct list, which is attached in electronic form for your review. This new list excluded two students from the sample list of 30—since they were not from the designated years. In a separate letter, we have attached the remaining 28 letters from the sample list.

On the following page is an analysis that shows how much the District can claim for the Notice of Truancy Claim minus the Habitual Truancy Mandate. If we were able to offset the claim with the habitual truancy notifications, the District would be allowed to offset the disallowance by \$423,474.

For PSSC, See Work Paper # 1B 1/5

*An Equal Opportunity Employer*

Mr. Jim L. Spano  
 Page 2  
 December 2, 2004

Fiscal Year	Original Notice of Truancy	Habitual Notice	Notice of Truancy Rate	Revised Notice of Truancy of Gross Claim Amt.	Reduce from Habitual Mandate-Making a Conscientious Effort to Schedule a Parent Conference	Able to Claim for Notice of Truancy
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Fresno Unified claimed \$943,847 and has received \$672,900 against that claim. We believe the claim should be revised to \$423,474 for these years and that Fresno Unified should return \$249,426 to the State for the discrepancies.

Sincerely,



Paul C. Disario  
 Associate Superintendent/CFO

Attachments

- c: Walt Buster, Interim Superintendent
- Paul Disario, Associate Superintendent/CFO
- Jacque Canfield, Fiscal Services Administrator
- Bob Pankratz, Students Services Administrator

For PSSC, See Work Paper # 10 1/5

*An Equal Opportunity Employer*

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

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

# **FRESNO UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2005, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

January 2011



**JOHN CHIANG**  
**California State Controller**

January 28, 2011

Michelle Arax Asadoorian, President  
Board of Education  
Fresno Unified School District  
2309 Tulare Street  
Fresno, CA 93721

Dear Ms. Asadoorian:

The State Controller's Office audited the costs claimed by the Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$71,453. Allowable costs claimed exceed the amount paid by \$1,061,841.

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

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

Sincerely,

*Original signed by*

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

JVB/vb



cc: Michael E. Hanson, Superintendent  
Fresno Unified School District  
Ruth Quinto, Deputy Superintendent/Chief Financial Officer  
Fresno Unified School District  
Jacquie Canfield, Administrator  
Fiscal Services  
Fresno Unified School District  
Tammy Townsend, Financial Analyst  
Fiscal Services  
Fresno Unified School District  
Larry Powell County Superintendent of Schools  
Fresno County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$71,453. Allowable costs claimed exceed the amount paid by \$1,061,841.

## Background

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

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

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

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

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

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2005, through June 30, 2008.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

## **Conclusion**

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

For the audit period, the Fresno Unified School District claimed \$1,237,961 (\$1,239,668 less a \$1,707 penalty for filing a late claim) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,133,294 is allowable and \$104,667 is unallowable.

The State paid the district \$71,453. Our audit disclosed that \$1,133,294 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,061,841, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on November 24, 2010. Ruth F. Quinto, Deputy Superintendent/CFO, Administrative Services, responded by letter dated December 9, 2010 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

January 28, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2005, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	27,296	24,556	(2,740)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 424,180</u>	381,600	<u>\$ (42,580)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 381,600</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	18,876	26,427	7,551	Finding 1
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	304,847	426,796	121,949	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	(121,949)	(121,949)	
Total program costs	<u>\$ 304,847</u>	304,847	<u>\$ —</u>	
Less amount paid by the State		(71,442)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 233,405</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	29,551	25,958	(3,593)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	510,641	448,554	(62,087)	
Less late filing penalty	(1,707)	(1,707)	—	
Total program costs	<u>\$ 508,934</u>	446,847	<u>\$ (62,087)</u>	
Less amount paid by the State		(11)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 446,836</u>		
<u>Summary: July 1, 2005, through June 30, 2008</u>				
Total costs	\$ 1,239,668	\$ 1,256,950	\$ 17,282	
Less late filing penalty	(1,707)	(1,707)	—	
Less allowable costs that exceed costs claimed <sup>2</sup>	—	(121,949)	(121,949)	
Total program costs	<u>\$ 1,237,961</u>	1,133,294	<u>\$ (104,667)</u>	
Less amount paid by the State		(71,453)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,061,841</u>		

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

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07.

# Findings and Recommendations

## **FINDING 1— Understated and unallowable initial truancy notifications**

The district claimed costs for unallowable initial truancy notifications, but also understated the total number of initial truancy notifications distributed. For the audit period, the district understated claimed costs by \$177,044. The understated costs resulted for the following reasons:

- The district's records show that the district understated the total number of initial truancy notifications claimed for fiscal year (FY) 2005-06 and FY 2006-07.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district claimed initial truancy notifications distributed for independent study students. Independent study students are not subject to initial truancy notification requirements.
- The district claimed multiple truancy notifications that it distributed for the same student during the school year. Only the initial truancy notification is eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2005-06	2006-07	2007-08	
Number of initial truancy notifications documented	31,641	26,787	29,551	
Less number of initial truancy notifications claimed	27,296	18,876	29,551	
Understated number of initial truancy notifications	4,345	7,911	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ 67,521	\$ 127,763	\$ —	\$ 195,284
Number of initial truancy notifications distributed for charter school students	(422)	(360)	(300)	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (6,558)	\$ (5,814)	\$ (5,184)	(17,556)
Number of initial truancy notifications distributed for independent study students	(42)	—	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (653)	\$ —	\$ —	(653)
Duplicate initial truancy notifications	(2)	—	—	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs	\$ (31)	\$ —	\$ —	(31)
Audit adjustment	\$ 60,279	\$ 121,949	\$ (5,184)	\$ 177,044

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

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

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

#### Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We recommend that the district exclude from this count those letters that it distributes for charter school and independent study students, and multiple letters that it distributes for the same student during the school year.

#### District's Response

The District has no significant issue regarding the disallowed truancy notifications. Some of the issues raised in the report, such as charter school eligibility, are being addressed by others outside this process through litigation. . . . The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. . . .

#### SCO's Comment

Our finding and recommendation are unchanged. The district's response does not specifically address the understated initial truancy notifications, notifications distributed for independent study students, and multiple notifications distributed for the same student during the school year.

The district appears to disagree with the unallowable initial truancy notifications attributable to charter school students. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates (CSM) issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560.



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

The district claimed non-reimbursable initial truancy notifications totaling \$159,762. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified these students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded community day school students from the population sampled (62 students for FY 2005-06 and 74 students for FY 2007-08).

For each group, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group. We did not select samples for FY 2006-07 because the district significantly understated total initial truancy notifications for that fiscal year (see Finding 1).

The district claimed non-reimbursable initial truancy notifications for the following reasons:

- For FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2007-08, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications:

	<u>Fiscal Year</u>	
	<u>2005-06</u>	<u>2007-08</u>
Number of unexcused absences and tardiness occurrences accumulated during the school year:		
Daily attendance accounting:		
Three total (FY 2005-06 only)	(7)	—
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(23)	—
Fewer than three while between ages 6 and 18 (FY 2007-08 only)	—	(15)
Fewer than three total	<u>(2)</u>	<u>(6)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(32)</u>	<u>(21)</u>
Period attendance accounting:		
Three total (FY 2005-06 only)	(20)	—
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(8)	
Fewer than three while between ages 6 and 18 (FY 2007-08 only)	—	(5)
Fewer than three total	<u>(3)</u>	<u>(6)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(31)</u>	<u>(11)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year		Total
	2005-06	2007-08	
Daily attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(32)	(21)	
Statistical sample size	÷ 149	÷ 149	
Unallowable percentage	(21.48)%	(14.09)%	
Population sampled	× 19,145	× 16,891	
Extrapolated number of unallowable initial truancy notifications	(4,112)	(2,380)	
Uniform cost allowance	× \$15.54	× \$17.28	
Unallowable costs, daily attendance accounting	\$ (63,900)	\$ (41,126)	\$ (105,026)
Period attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(31)	(11)	
Statistical sample size	÷ 148	÷ 148	
Unallowable percentage	(20.95)%	(7.43)%	
Population sampled	× 11,968	× 12,286	
Extrapolated number of unallowable initial truancy notifications	(2,507)	(913)	
Uniform cost allowance	× \$15.54	× \$17.28	
Unallowable costs, period attendance accounting	\$ (38,959)	\$ (15,777)	(54,736)
Audit adjustment	\$ (102,859)	\$ (56,903)	\$ (159,762)

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

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

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

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The CSM did not amend the parameters and guidelines until July 1, 2006. Therefore, an FY 2005-06 initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

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

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

#### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

#### District's Response

The District has no significant issue regarding the disallowed truancy notifications . . . The SCO's audit methodology, with which the District disagrees, is being challenged through the Commission on State Mandates. The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. . . .

#### SCO's Comment

Our finding and recommendation are unchanged. The district states that it disagrees with the "SCO's audit methodology." The SCO conducted an audit entrance conference with district representatives on November 30, 2009. At that time, the SCO notified district representatives that the audit process would include reliance on statistical sampling. District representatives did not voice any objection at that time. The district's response provides no specifics regarding its disagreement; therefore, we are unable to comment further on the district's response.

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

---



*Preparing Career Ready Graduates*

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Carol Mills, J.D.  
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Tony Vang, Ed.D.

**SUPERINTENDENT**

Michael E. Hanson

December 9, 2010

Jim L. Spano, CPA  
Chief, Compliance Audits Bureau  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Fresno Unified School District  
Notification of Truancy  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2005/06 thru 2007/08

This letter responds to the draft audit report issued November 24th by the State Controllers Office (SCO) regarding costs claimed by Fresno Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2005/06 through 2007/08. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings.

The District has no significant issue regarding the disallowed truancy notifications. Some of the issues raised in the report, such as charter school eligibility, are being addressed by others outside this process through litigation. The SCO's audit methodology, with which the District disagrees, is being challenged through the Commission on State Mandates. The District believes the outcomes of these issues will be favorable however it does not currently intend to challenge the findings. Additionally the District has taken the necessary steps to resolve the findings where appropriate.

The District once again thanks the SCO for this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Sincerely,

Ruth F. Quinto, Deputy Superintendent/CFO  
Administrative Services

cc: Michael Hanson  
Jacquie Canfield  
Tammy Townsend

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

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

# **FRESNO UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2009, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

May 2015



**BETTY T. YEE**  
California State Controller

May 4, 2015

Lindsay Cal Johnson, President  
Board of Education  
Fresno Unified School District  
2309 Tulare Street  
Fresno, CA 93721

Dear Mr. Johnson:

The State Controller's Office audited the costs claimed by Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$1,719,341 for the mandated program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable. The costs are unallowable primarily because the district claimed unallowable initial truancy notifications. The State paid the district \$84,815. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, contingent upon available appropriations.

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

Sincerely,

*Original signed by*

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

JVB/lis



cc: Michael Hanson, Superintendent  
Fresno Unified School District  
Ruth Quinto, Deputy Superintendent/CFO  
Fresno Unified School District  
Jacquie Canfield, Fiscal Services Executive Officer  
Fresno Unified School District  
Jamie Perry, Senior Director  
District Financial Services  
Fresno County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Fresno Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$1,719,341 for the mandated program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable. The costs are unallowable primarily because the district claimed unallowable initial truancy notifications. The State paid the district \$84,815. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, contingent upon available appropriations.

## Background

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

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege, and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

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

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

The parameters and guidelines establish the State mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2009, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

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

For the audit period, Fresno Unified School District claimed \$1,719,341 for costs of the Notification of Truancy Program. Our audit found that \$1,646,247 is allowable and \$73,094 is unallowable.

The State paid the district \$84,815. Our audit found that \$1,646,247 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,561,432, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 11, 2015. Jacquie Canfield, Fiscal Services Executive Officer; and Eugene Trofimenko, Financial Analyst II, agreed with the audit results. Ms. Canfield declined a draft audit report and agreed that we could issue the audit report as final.

On April 6, 2015, we provided the district with a preliminary final audit report. On April 9, 2015, Ruth Quinto, Deputy Superintendent/CFO, provided a letter response, stating in part that, "The District has no significant issue regarding the disallowed truancy notifications." The district's comments were in response to the preliminary final audit report, rather than to a draft audit report.

**Restricted Use**

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

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

May 4, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 2009, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	24,164	23,387	(777)	Finding 1,2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs	<u>\$ 431,811</u>	\$ 417,926	<u>\$ (13,885)</u>	
Less amount paid by the State		<u>(84,815)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 333,111</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	25,246	24,700	(546)	Finding 1,2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs	<u>\$ 461,749</u>	\$ 451,763	<u>\$ (9,986)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 451,763</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	43,669	41,066	(2,603)	Finding 1,2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs	<u>\$ 825,781</u>	\$ 776,558	<u>\$ (49,223)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 776,558</u>		
<u>Summary: July 1, 2009, through June 30, 2012</u>				
Total program costs	<u>\$ 1,719,341</u>	\$ 1,646,247	<u>\$ (73,094)</u>	
Less amount paid by the State		<u>(84,815)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,561,432</u>		

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

# Findings and Recommendations

**FINDING 1—  
Unsupported and  
unallowable initial  
truancy notifications**

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$47,720. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented matched exactly in two fiscal years, but was overstated by one notification in FY 2010-11.
- The documented initial truancy notifications included notifications distributed for students who would have been 6 years old for the entire school year. Per Education Code section 48200, persons between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, any unexcused absences or truancy occurrences before the student turns age 6 are not reimbursable. Students who were age 5 for the entire school year were not subject to compulsory full-time education.
- The number of initial truancy notifications documented included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The number of initial truancy notifications documented included notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.

The following table summarizes the audit adjustments:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
Number of initial truancy notifications documented	24,164	25,245	43,669	
Less number of initial truancy notifications claimed	(24,164)	(25,246)	(43,669)	
Overstated/understated number of claimed initial truancy notifications	-	(1)	-	
Less students under age 6 entire school year	-	-	(1,670)	
Less independent study students	(335)	(349)	-	
Less charter school students	(192)	-	(17)	
Total overstated/understated initial truancy notifications	(527)	(350)	(1,687)	
Uniform cost allowance	\$ 17.87	\$ 18.29	\$ 18.91	
Unallowable costs	\$ (9,417)	\$ (6,402)	\$ (31,901)	\$(47,720)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

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

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the parameters and guidelines.

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

The district claimed non-reimbursable initial truancy notifications totaling \$25,374. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as a truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population. As the district accounts for attendance differently depending on grade level, we stratified the population into two groups; daily attendance accounting and period attendance accounting. We selected our samples from the lists of students that the district provided.



The following table summarizes the non-reimbursable initial truancy notifications identified by our statistical sample:

	Fiscal Year		
	2009-10	2010-11	2011-12
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(1)	(2)	(6)
Fewer than three total	(2)	—	(2)
Unallowable initial truancy notifications	(3)	(2)	(8)

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each year sampled:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
<u>Daily attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(2)	(2)	(8)	
Statistical sample size	÷ 148	÷ 149	÷ 149	
Unallowable percentage	(1.35%)	(1.34%)	(5.37%)	
Population sampled	× 13,320	× 14,635	× 17,051	
Extrapolated number of unallowable initial truancy notifications	(180)	(196)	(916)	
Uniform cost allowance	\$17.87	\$18.29	\$18.91	
Audit adjustment, daily attendance accounting <sup>1</sup>	\$ (3,217)	\$ (3,584)	\$ (17,322)	\$ (24,123)
<u>Period attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(1)	—	—	
Statistical sample size	÷ 148	÷ 148	÷ 149	
Unallowable percentage	(0.68%)	(0.00%)	(0.00%)	
Population sampled	× 10,317	× 10,261	× 24,931	
Extrapolated number of unallowable initial truancy notifications	(70)	—	—	
Uniform cost allowance	\$17.87	\$18.29	\$18.91	
Audit adjustment, period attendance Accounting <sup>1</sup>	\$ (1,251)	\$ —	\$ —	\$ (1,251)
Total audit adjustment	\$ (4,468)	\$ (3,584)	\$ (17,322)	\$ (25,374)

<sup>1</sup> Calculation differences due to rounding

Education Code section 48260, subdivision (a), states:

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

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

The parameters and guidelines (section I – Background and Summary of Mandate) state:

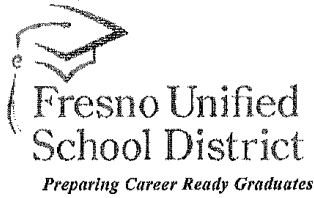
A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

**Attachment—  
District’s Response to  
Audit Report**

---



**BOARD OF EDUCATION**

Lindsay Cal Johnson, President  
Christopher De La Cerda, Clerk  
Brooke Ashjian  
Luis A. Chavez  
Valerie F. Davis  
Carol Mills, J.D.  
Janel Ryan

**SUPERINTENDENT**  
Michael E. Hanson

April 9, 2015

Jim L. Spano, CPA  
Chief Compliance Audits Bureau  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Fresno Unified School District  
Notification of Truancy  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2008/09 thru 2011/12

This letter responds to the draft audit report issued April 6, 2015 by the State Controllers Office (SCO) regarding costs claimed by Fresno Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2008/09 through 2011/12. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings.

The District has no significant issue regarding the disallowed truancy notifications. The District has taken the necessary steps to resolve the findings. Additionally while the District did opt for the block grant in 2012/13, we continued the truancy notifications and other mandated activities as required.

The District once again thanks the SCO for this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Sincerely,

Ruth F. Quinto, Deputy Superintendent/CFO  
Administrative Services

cc: Michael Hanson  
Jacquie Canfield  
Eugene Trofimenko

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

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

# **GRANT JOINT UNION HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

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

*July 1, 2002, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

May 2010



**JOHN CHIANG**  
**California State Controller**

May 28, 2010

Michelle Rivas, President  
Board of Trustees  
Twin Rivers Unified School District  
3222 Winona Way  
North Highlands, CA 95660

Dear Ms. Rivas:

The State Controller's Office audited the costs claimed by the Grant Joint Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008. Effective July 1, 2008, Grant Joint Union High School District merged with other school districts to form Twin Rivers Unified School District.

The district claimed \$725,551 for the mandated program. Our audit disclosed that \$640,659 is allowable and \$84,892 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notification letters. The State paid the district \$232,196. Allowable costs claimed exceed the amount paid by \$408,463.

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

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

cc: Frank Porter, Superintendent  
Twin Rivers Unified School District  
Rob Ball, Associate Superintendent, Business Support Services  
Twin Rivers Unified School District  
Kate Ingersoll, Director of Budget Services  
Twin Rivers Unified School District  
Rob Roach, Mandated Cost Analyst  
Twin Rivers Unified School District  
David W. Gordon, County Superintendent of Schools  
Sacramento County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Angie Teng, Section Supervisor  
Division of Accounting and Reporting  
State Controller's Office



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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Grant Joint Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008. Effective July 1, 2008, Grant Joint Union High School District merged with other school districts to form Twin Rivers Unified School District.

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## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notified a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Grant Joint Union High School District claimed \$725,551 for costs of the Notification of Truancy Program. Our audit disclosed that \$640,659 is allowable and \$84,892 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$57,143. Our audit disclosed that the entire amount is allowable.

For the FY 2003-04 claim, the State paid the district \$61,060. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$84,523. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$136,846 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$29,470. Our audit disclosed that \$151,390 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$121,920, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit disclosed that \$149,697 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on March 5, 2010. Kate Ingersoll, Director of Budget Services, responded by letter dated March 22, 2010 (Attachment). The district agreed with some individual issues presented in the audit results and disagreed with others. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of Twin Rivers Unified School District, the Sacramento County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

May 28, 2010

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference<sup>1</sup></u>
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	4,329	4,520	191	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Subtotal <sup>2</sup>	\$ 57,143	\$ 59,664	\$ 2,521	
Audit adjustments that exceed costs claimed	—	(2,521)	(2,521)	
Total program costs	<u>\$ 57,143</u>	57,143	<u>\$ —</u>	
Less amount paid by the State		(57,143)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	4,470	5,237	767	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Subtotal <sup>2</sup>	\$ 61,060	\$ 71,537	\$ 10,477	
Audit adjustments that exceed costs claimed	—	(10,477)	(10,477)	
Total program costs	<u>\$ 61,060</u>	61,060	<u>\$ —</u>	
Less amount paid by the State		(61,060)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	5,919	7,015	1,096	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Subtotal <sup>2</sup>	\$ 84,523	\$ 100,174	\$ 15,651	
Audit adjustments that exceed costs claimed	—	(15,651)	(15,651)	
Total program costs	<u>\$ 84,523</u>	84,523	<u>\$ —</u>	
Less amount paid by the State		(84,523)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	10,440	8,806	(1,634)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs <sup>2</sup>	<u>\$ 162,238</u>	\$ 136,846	<u>\$ (25,392)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 136,846</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	10,211	9,374	(837)	Findings 1, 2
Uniform cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs <sup>2</sup>	<u>\$ 164,908</u>	\$ 151,390	<u>\$ (13,518)</u>	
Less amount paid by the State		<u>(29,470)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 121,920</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	11,324	8,663	(2,661)	Findings 1, 2
Uniform cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs <sup>2</sup>	<u>\$ 195,679</u>	\$ 149,697	<u>\$ (45,982)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 149,697</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 725,551</u>	\$ 640,659	<u>\$ (84,892)</u>	
Less amount paid by the State		<u>(232,196)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 408,463</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

## FINDING 1— Overstated and understated initial truancy notifications claimed

The district claimed unallowable costs totaling \$28,970. The costs are unallowable because:

- The district's attendance records did not support the number of initial truancy notification letters that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year.
- The district claimed duplicate initial truancy notification letters by claiming more than one letter for an individual student.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of initial truancy notifications documented:							
Period attendance reporting	4,749	5,309	7,419	9,443	9,566	8,901	45,387
Daily attendance reporting	—	4	2	13	4	2	25
Number of initial truancy notifications claimed	(4,329)	(4,470)	(5,919)	(10,440)	(10,211)	(11,324)	(46,693)
Unallowable initial truancy notifications	420	843	1,502	(984)	(641)	(2,421)	(1,281)
Uniform cost allowance	×\$13.20	×\$13.66	×\$14.28	×\$15.54	×\$16.15	×\$17.28	
Audit adjustment	\$ 5,544	\$ 11,515	\$ 21,449	\$ (15,291)	\$ (10,352)	\$ (41,835)	\$ (28,970)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We recommend that the district exclude from this count any duplicate letters that it distributes for the same student.

### District's Response

The State Controller's Office (SCO) determined that the district claimed unallowable costs totaling \$32,826. . . .

The district agrees with the findings in part.

**Duplicate Notifications Claimed** – During the course of the audit it became apparent that there were some truancy letters that were inadvertently claimed twice. . . .

**Attendance Accounting System Discrepancies** – Throughout the audit process, the district made it clear to the auditors its attendance accounting system (AERIES) was not the primary source of documentation for the claims subject to this audit. Rather the district maintains photocopies of each letter sent and takes a hard count to create the claim. The district made available its copies of the letters in support of the claims but the auditors chose to audit spreadsheets created by AERIES rather than the letters that were used to create the claims.

The AERIES system is designed to document attendance accounting. This is important since attendance information is fluid and records can be changed throughout the school year. For instance if a parent receives a truancy letter and calls into the school to clear an absence, in prior years the records contained in AERIES would not be able to show an auditor what the attendance was on the date the letter was originally created. In this example AERIES was incapable of showing the auditors what the attendance was on the date the truancy notice was created.

The district was able to produce weekly attendance reports that showed in many cases what the attendance was on the day the letter was created.

**Ineligible Costs Claimed** – In the 2007/08 fiscal year the district claimed letters from its independent study program and some letters from its charter schools; neither program were eligible for mandate reimbursement.

#### SCO's Comment

We revised our audit finding to correct a transposition error and resulting erroneous calculation presented in the draft audit report. Our recommendation is unchanged.

In our draft audit report, we incorrectly identified the FY 2004-05 number of initial truancy notifications attributable to period attendance accounting. Our draft audit report identified 7,149 initial truancy notifications; the correct number is 7,419.

The district acknowledges that duplicate notifications and notifications issued for independent study and charter school students are not reimbursable.

The district infers that the audit report misstates the actual number of initial truancy notifications issued because we identified the population from the district's automated records rather than from photocopies of notifications issued. Throughout our audit fieldwork, we worked with the district's representative to identify the total number of notifications issued for each fiscal year. The district has not provided any documentation to refute the number of initial truancy notifications identified in the audit finding.



**FINDING 2—  
Non-reimbursable  
initial truancy  
notification letters  
claimed**

The district claimed non-reimbursable initial truancy notifications totaling \$27,273. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented for students subject to period attendance reporting. We used a statistical sample so that we could project the sample results to the population. We separately validated attendance records for those students subject to daily attendance reporting.

For FY 2002-03 through FY 2005-06, the district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences while between the ages of 6 and 18. For FY 2006-07 and FY 2007-08, the district claimed unallowable initial truancy notifications for students who accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of unallowable initial truancy notifications	(7)	(2)	(8)	(10)	(3)	(4)	
Sample size	÷ 145	÷ 146	÷ 147	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(4.83)%	(1.37)%	(5.44)%	(16.76)%	(2.03)%	(2.70)%	
Number of initial truancy notifications documented—period attendance reporting	× 4,749	× 5,309	× 7,419	× 9,443	× 9,566	× 8,901	
Unallowable initial truancy notifications—period attendance reporting	(229)	(73)	(404)	(638)	(194)	(240)	
Unallowable initial truancy notifications—daily attendance reporting	—	(3)	(2)	(12)	(2)	—	
Total number of unallowable initial truancy notifications	(229)	(76)	(406)	(650)	(196)	(240)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (3,023)	\$ (1,038)	\$ (5,798)	\$ (10,101)	\$ (3,166)	\$ (4,147)	\$ (27,273)

Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

For FY 2002-03 through FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2002-03 through FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### District's Response

The SCO determined that the district claimed non-reimbursable initial truancy notifications. . . .

The district agrees with part of this finding but did locate and send documentation to the SCO that should reduce the total audit adjustment.

**Attendance Records/Weekly Attendance Reports** – The district was able to locate Weekly Attendance Reports that support the district's position that initial truancy notifications were sent to students who were in fact truant under the Parameters and Guidelines (P's & G's) definition. District staff sent . . . documentation . . . in support of this position for the following claims:

**2005/2006** – In the draft audit findings the SCO determined that from a sample of 148 students, 14 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 6 of the 14 students. . . .

**2006/2007** – In the draft audit findings the SCO determined that from a sample of 148 students, 6 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 4 of the 6 students. . . .

**2007/2008** – In the draft audit findings the SCO determined that from a sample of 148 students, 5 were the [*sic*] unallowable. . . .

The district was able to locate Weekly Attendance Reports for 3 of the 5 students. . . .

**Notifications Sent to Students That Are 18** – The district acknowledges that it had claimed notifications that were sent to students who were 18 years old.

**Parameters & Guidelines vs. Education Code** – Likewise the district acknowledges that it claimed reimbursement for initial truancy letters for the 2002/03, 2003/04, 2004/05, and 2005/06 school years.

The district must emphasize however that while, it did not meet the P's & G's definition of truancy as approved by the Board of Control in 1984 and applied by the SCO in this audit, it did meet the legal definition of truancy as defined in the current version of Education Code 48260 (a). . . .

### SCO's Comment

#### **Attendance Records/Weekly Attendance Reports**

We reviewed the additional documentation that the district submitted. We revised our finding to allow eight initial truancy notifications that we previously identified as unallowable in our draft audit report. We allowed four additional initial truancy notifications in FY 2005-06, three in FY 2006-07, and one in FY 2007-08. Our recommendation is unchanged.

We also revised our audit finding to correct a transposition error and resulting erroneous calculation presented in the draft audit report. In our draft audit report, we incorrectly identified the FY 2004-05 number of initial truancy notifications attributable to period attendance accounting. Our draft audit report identified 7,149 initial truancy notifications; the correct number is 7,419.

#### **Parameters and Guidelines versus Education Code**

The district stated that it distributed initial truancy notifications in accordance with Education Code section 48260, subdivision (a), for FY 2002-03 through FY 2005-06. Although the district complied with the Education Code, the district has overlooked the difference between its statutory responsibility versus mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. For FY 2002-03 through FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

#### **Changes to the System**

We commend the district for initiating system modifications that will allow it to support the number of initial truancy notifications issued.

**Attachment—  
District's Response to  
Draft Audit Report**

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# TwinRivers

UNIFIED SCHOOL DISTRICT



*BOARD OF TRUSTEES*

*Michelle Rivas  
President*

*Bob Bastian  
Vice President*

*Cortez Quinn  
Clerk*

*Alecia Eugene-Chasten*

*Linda Fowler*

*Janis Green*

*Roger Westrup*

*Frank Porter  
Superintendent*

*Our Mission:  
To inspire each student to  
extraordinary achievement  
every day.*

March 22, 2010

Mr. Jim Spano, Chief  
Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Grant Joint Union High School District  
Chapter 498, Statutes of 1983  
Notification of Truancy Program Audit  
Fiscal Years 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007 & 2007/2008

Dear Mr. Spano:

This letter is in response of Grant Joint Union High School District to the letter dated on March 5, 2010, from Jeffery Brownfield and received by the District on March 12, 2010, which transmits a draft copy of the audit report of the District's Notification of Truancy annual reimbursement claims for the period of July 1, 2002 through June 30, 2008.

Please note that as of July 1, 2008 the Grant Joint Union High School District ceased to exist and merged along with three other school districts into the new Twin Rivers Unified School District, hence the district response will come from Twin Rivers Unified School District staff.

**Finding # 1 – Overstated and understated initial truancy notifications claimed**

The State Controller's Office (SCO) determined that the district claimed unallowable costs totaling \$32,826. The costs are unallowable because:

- "The district's attendance records did not support the number of initial truancy notification letters that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year".
- "The district claimed duplicate initial truancy notification letters by claiming more than one letter for an individual student".

The district agrees with the findings in part.

**Duplicate Notifications Claimed** - During the course of the audit it became apparent that there were some truancy letters that were inadvertently claimed twice. Usually this occurred when a student transferred from one school to another within the district and a second initial truancy notice was issued by the new school or letters were sent to multiple addresses associated with the student and the district claimed more than one notice.

**Attendance Accounting System Discrepancies** - Throughout the audit process, the district made it clear to the auditors its attendance accounting system (AERIES) was not the primary source of documentation for the claims subject to this audit. Rather the

District Address: 5115 Dudley Blvd. McClellan CA 95652  
Mailing Address: 3222 Winona Way North Highlands CA 95660  
(916) 566-1600 FAX (916) 566-1784 [www.twinriversusd.org](http://www.twinriversusd.org)

district maintains photocopies of each letter sent and takes a hard count to create the claim. The district made available its copies of the letters in support of the claims but the auditors chose to audit spreadsheets created by AERIES rather than the letters that were used to create the claims.

The AERIES system is designed to document attendance accounting. This is important since attendance information is fluid and records can be changed throughout the school year. For instance if a parent receives a truancy letter and calls into the school to clear an absence, in prior years the records contained in AERIES would not be able to show an auditor what the attendance was on the date the letter was originally created. In this example AERIES was incapable of showing the auditors what the attendance was on the date the truancy notice was created.

The district was able to produce weekly attendance reports that showed in many cases what the attendance was on the day the letter was created.

**Ineligible Costs Claimed-** In the 2007/08 fiscal year the district claimed letters from its independent study program and some letters from its charter schools; neither program were eligible for mandate reimbursement.

**Finding # 2 – Non-reimbursable initial truancy notification letters claimed**

The SCO determined that the district claimed non-reimbursable initial truancy notifications totaling \$35,192. The costs are unallowable because:

- *“The district claimed initial truancy notifications that it distributed to students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program”.*

The district agrees with part of this finding but did locate and send documentation to the SCO that should reduce the total audit adjustment.

**Attendance Records/Weekly Attendance Reports** – The district was able to locate Weekly Attendance Reports that support the district’s position that initial truancy notifications were sent to students who were in fact truant under the Parameters and Guidelines (P’s & G’s) definition. District staff sent three electronic mail messages along with scanned documentation dated March 19, 2010 to the SCO in support of this position for the following claims:

**2005/2006** – In the draft audit findings the SCO determined that from a sample of 148 students, 14 were the unallowable. The unallowable percentage was 9.46% (905 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$14,064 in finding # 2 for the 2005/2006 claim.

The district was able to locate Weekly Attendance Reports for 6 of the 14 students. The reports affirm that each of the 6 students had at least 4 unexcused absences as defined in the P’s & G’s on the date the initial truancy notification was created.

It is the district’s position that the SCO should reduce the unallowable percentage to 5.41% (523 letters) for a total audit adjustment of \$8,127 in finding # 2 for the 2005/2006 claim.

**2006/2007** – In the draft audit findings the SCO determined that from a sample of 148 students, 6 were the unallowable. The unallowable percentage was 4.05% (389 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$6,283 in finding # 2 for the 2006/2007 claim.

The district was able to locate Weekly Attendance Reports for 4 of the 6 students. The reports affirm that each of the 4 students had at least 3 unexcused absences as defined in the P’s & G’s on the date the

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initial truancy notification was created.

It is the district's position that the SCO should reduce the unallowable percentage to 1.36% (132 letters) for a total audit adjustment of \$2,132 in finding # 2 for the 2006/2007 claim.

**2007/2008** – In the draft audit findings the SCO determined that from a sample of 148 students, 5 were the unallowable. The unallowable percentage was 3.38% (301 letters) this percentage was then applied to the entire claim for a total audit adjustment of \$5,201 in finding # 2 for the 2007/2008 claim.

The district was able to locate Weekly Attendance Reports for 3 of the 5 students. The reports affirm that each of the 3 students had at least 3 unexcused absences as defined in the P's & G's on the date the initial truancy notification was created.

It is the district's position that the SCO should reduce the unallowable percentage to 1.36% (121 letters) for a total audit adjustment of \$2,091 in finding # 2 for the 2007/2008 claim.

**Notifications Sent to Students That Are 18** – The district acknowledges that it had claimed notifications that were sent to students who were 18 years old.

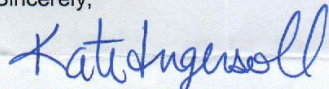
**Parameters & Guidelines vs. Education Code** - Likewise the district acknowledges that it claimed reimbursement for initial truancy letters for the 2002/03, 2003/04, 2004/05 and 2005/06 school years.

The district must emphasize however that while, it did not meet the P's & G's definition of truancy as approved by the Board of Control in 1984 and applied by the SCO in this audit, it did meet the legal definition of truancy as defined in the current version of Education Code 48260 (a).

The district extends its thanks to State Controller John Chiang for sponsoring legislation (AB 1698, Eng) to fix this program back in 2007 by aligning the parameters and guidelines with current education code.

**Changes to the System** – In the 2009/2010 school year there has been a number of updates to the AERIES attendance accounting system that allows the district to view the attendance record of students on the date a truancy notice is created. The AERIES system now records any changes made to the attendance records with dates and electronic signatures for reference. The changes will enable the district to provide better support in the future.

Sincerely,



Kate Ingersoll, CPA  
Director of Budget Services  
Twin Rivers Unified School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**



# **GROSSMONT UNION HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2007, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

November 2014



**JOHN CHIANG**  
**California State Controller**

November 4, 2014

Robert Shield, President, Governing Board  
Grossmont Union High School District  
1100 Murray Drive  
El Cajon, CA 92020

Dear Mr. Shield:

The State Controller's Office audited the costs claimed by Grossmont Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$731,326 for the mandated program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable. The costs are unallowable primarily because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$78,170. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Ralf Swenson, Superintendent  
Grossmont Union High School District  
Scott Patterson, Deputy Superintendent, Business Services  
Grossmont Union High School District  
Ken Leighton, Executive Director, Fiscal Services  
Grossmont Union High School District  
Rick Roberts, Executive Director, Education Technology Services  
Grossmont Union High School District

Andi Loree, Internal Auditor  
Grossmont Union High School District  
Brent Watson, Executive Director  
Business Advisory Services  
San Diego County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Senior Fiscal Policy Advisor  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Grossmont Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$731,326 for the mandated program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable. The costs are unallowable primarily because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$78,170. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Grossmont Union High School District claimed \$731,326 for costs of the Notification of Truancy Program. Our audit found that \$426,576 is allowable and \$304,750 is unallowable.

The State paid the district \$78,170. Our audit found that \$426,576 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$348,406, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on October 1, 2014. Ken Leighton, Executive Director, Fiscal Services; Andi Lorce, Internal Auditor; and Tracey St. John, Executive Secretary, agreed with the audit results. Mr. Leighton declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of Grossmont Union High School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

November 4, 2014

## Schedule 1— Summary of Program Costs July 1, 2007, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	15,469	6,048	(9,421)	Finding 1,2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs <sup>2</sup>	<u>\$ 267,304</u>	<u>\$ 104,509</u>	<u>\$ (162,795)</u>	
Less amount paid by the State		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 104,500</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	14,412	6,410	(8,002)	Finding 1,2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs <sup>2</sup>	<u>\$ 255,669</u>	<u>\$ 113,714</u>	<u>\$ (141,955)</u>	
Less amount paid by the State		(57,930)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 55,784</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	5,764	7,121	1,357	Finding 1,2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Subtotal	103,003	127,253	24,250	
Less allowable costs that exceed costs claimed <sup>3</sup>	—	(24,250)	(24,250)	
Total program costs <sup>2</sup>	<u>\$ 103,003</u>	<u>\$ 103,003</u>	<u>\$ —</u>	
Less amount paid by the State		(20,231)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 82,772</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	5,760	6,981	1,221	Finding 1,2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Subtotal	105,350	127,682	22,332	
Less allowable costs that exceed costs claimed <sup>3</sup>	—	(22,332)	(22,332)	
Total program costs <sup>2</sup>	<u>\$ 105,350</u>	<u>\$ 105,350</u>	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 105,350</u>		
<u>Summary: July 1, 2007, through June 30, 2011</u>				
Subtotal of program costs	\$ 731,326	\$ 473,158	\$ (258,168)	
Less allowable costs that exceed costs claimed	—	(46,582)	(46,582)	
Total program costs	<u>731,326</u>	426,576	<u>(304,750)</u>	
Less amount paid by the State		(78,170)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 348,406</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

<sup>3</sup> Government Code section 17568 stipulated that the State will not reimburse any claims more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2009-10 and FY 2010-11.



# Findings and Recommendations

## **FINDING 1— Unsupported and unallowable initial truancy notifications**

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$251,728. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented did not support the number of initial truancy notifications claimed.
- The documented initial truancy notifications included notifications distributed for students more than once during each fiscal year (duplicate notifications), and for students that had turned 18 by the beginning of the school calendar year. Per Education Code Section 48200, persons between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, any unexcused absences or truancy occurrences after the student turned 18 are not reimbursable. Students that were 18 by the beginning of the school year were not subject to compulsory full-time education.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	6,595	7,125	7,803	7,637	
Less number of initial truancy notifications claimed	(15,469)	(14,412)	(5,764)	(5,760)	
Overstated/understated number of claimed initial truancy notifications	(8,874)	(7,287)	2,039	1,877	
Less duplicate students	(284)	(317)	(249)	(230)	
Less students over 18	(179)	(265)	(335)	(378)	
Total overstated/understated initial truancy notifications	(9,337)	(7,869)	1,455	1,269	
Uniform cost allowance	\$ 17.28	\$ 17.74	\$ 17.87	\$ 18.29	
Unallowable costs	\$ (161,343)	\$ (139,596)	\$ 26,001	\$ 23,210	\$ (251,728)

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the Parameters and Guidelines.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$6,440. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as a truant under the mandated program.

The following table summarizes the notifications sampled:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Period attendance accounting:				
Documented notifications	6,595	7,125	7,803	7,637
Less duplicate notifications (Finding 1)	(284)	(317)	(249)	(230)
Less students over 18 (Finding 1)	(179)	(265)	(335)	(378)
Total notifications sampled, period attendance accounting	<u>6,132</u>	<u>6,543</u>	<u>7,219</u>	<u>7,029</u>

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

For period attendance accounting students, the district's truancy policy was inconsistent with Education Code sections 48260, subdivision (a), and 48260.5. The district's policy was to classify a period attendance accounting student as truant only when the student accumulated three full day truant absences. However, we allowed initial truancy notifications for those students whose attendance records documented that the student accumulated three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Our testing found that eight students were non-reimbursable for the audit period because they had accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18 (two in FY 2007-08, three in FY 2008-09, two in FY 2009-10, and one in FY 2010-11).

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each year sampled:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(2)	(3)	(2)	(1)	
Statistical sample size	÷ 146	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(1.37)%	(2.04)%	(1.36)%	(0.68)%	
Population sampled	× 6,132	× 6,543	× 7,219	× 7,029	
Extrapolated number of unallowable initial truancy notifications	(84)	(133)	(98)	(48)	
Uniform cost allowance	\$ 17.28	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment, period attendance accounting <sup>1</sup>	<u>\$ (1,452)</u>	<u>\$ (2,359)</u>	<u>\$ (1,751)</u>	<u>\$ (878)</u>	<u>\$ (6,440)</u>

<sup>1</sup> Calculation differences due to rounding.

Education Code section 48260, subdivision (a), states:

*Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6th birthday or after the student's 18th birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines. We also recommend that the district revise its truancy policy to classify period attendance accounting students as truant, and issue the required initial truancy notifications, consistent with Education Code sections 48260, subdivision (a), and 48260.5.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# HUNTINGTON BEACH UNION HIGH SCHOOL DISTRICT

Audit Report

## NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2007, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

May 2013



**JOHN CHIANG**  
**California State Controller**

May 8, 2013

Bonnie Castrey, President  
Board of Trustees  
Huntington Beach Union High School District  
5832 Bolsa Avenue  
Huntington Beach, CA 92649

Dear Ms. Castrey:

The State Controller's Office audited the costs claimed by the Huntington Beach Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$654,365 for the mandated program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/nh

cc: Gregory Plutko, Ed.D., Superintendent  
Huntington Beach Union High School District  
Carrie Delgado, Assistant Superintendent of Business Services  
Huntington Beach Union High School District  
Don Austin, Ed.D., Assistant Superintendent of Educational Services  
Huntington Beach Union High School District  
Dawn Ahlers, Director of Fiscal Services  
Huntington Beach Union High School District  
Pam Beard, Senior Accountant  
Huntington Beach Union High School District  
Al Mijares, Ph.D., Superintendent of Schools  
Orange County Department of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
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Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Huntington Beach Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$654,365 for the mandated program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Huntington Beach Union High School District claimed \$654,365 for costs of the Notification of Truancy Program. Our audit found that \$586,596 is allowable and \$67,769 is unallowable. The State paid the district \$68,003. The State will pay allowable costs claimed that exceed the amount paid, totaling \$518,593, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on April 11, 2013. Carrie Delgado, Assistant Superintendent, Business Services, and Mark Ford, Senior Systems Analyst, agreed with the audit results. Ms. Delgado declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of the Huntington Beach Union High School District, the Orange County Department of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

May 8, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	8,874	8,359	(515)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 153,343</u>	144,444	<u>\$ (8,899)</u>	
Less amount paid by the State		(5)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 144,439</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	8,208	7,529	(679)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs <sup>2</sup>	<u>\$ 145,610</u>	133,565	<u>\$ (12,045)</u>	
Less amount paid by the State		(32,993)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,572</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	9,973	8,760	(1,213)	Finding 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs <sup>2</sup>	<u>\$ 178,218</u>	156,542	<u>\$ (21,676)</u>	
Less amount paid by the State		(35,005)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 121,537</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	9,688	8,313	(1,375)	Finding 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs	<u>\$ 177,194</u>	152,045	<u>\$ (25,149)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 152,045</u>		
<u>Summary: July 1, 2007, through June 30, 2011</u>				
Total program costs	<u>\$ 654,365</u>	\$ 586,596	<u>\$ (67,769)</u>	
Less amount paid by the State		(68,003)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 518,593</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

**FINDING 1—  
Unallowable initial  
truancy notifications**

The district claimed unallowable costs totaling \$5,105. The costs are unallowable because the district overstated the number of allowable initial truancy notifications distributed.

For fiscal year (FY) 2007-08 and FY 2008-09, the district provided a list of students for whom it distributed initial truancy notifications. However, each list included unallowable notifications. For some students, the district distributed more than one notification (duplicate notifications) to the students’ parents/guardians during the school year. A student’s initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2007-08	2008-09	
Duplicate notifications	(162)	(130)	
Uniform cost allowance	× \$17.28	× \$17.74	
Audit adjustment	<u>\$ (2,799)</u>	<u>\$ (2,306)</u>	<u>\$ (5,105)</u>

The program’s parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

Recommendation

We recommend that the district claim only one initial truancy notification per truant student for each school year.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$62,664. The district claimed notifications for students who did not accumulate the required number of unexcused absences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical samples:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Fewer than three while between ages 6 and 18	(6)	(10)	(18)	(20)
Fewer than three total	-	-	-	(1)
Unallowable initial truancy notifications	<u>(6)</u>	<u>(10)</u>	<u>(18)</u>	<u>(21)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of unallowable initial truancy notifications from statistical sample	(6)	(10)	(18)	(21)	
Statistical sample size	÷ 148	÷ 147	÷ 148	÷ 148	
Unallowable percentage	(4.05%)	(6.80%)	(12.16%)	(14.19%)	
Population sampled	× 8,712	× 8,078	× 9,973	× 9,688	
Extrapolated number of unallowable initial truancy notifications	(353)	(549)	(1,213)	(1,375)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment	<u>\$ (6,100)</u>	<u>\$ (9,739)</u>	<u>\$ (21,676)</u>	<u>\$ (25,149)</u>	<u>\$ (62,664)</u>

Education Code section 48260, subdivision (a), states:

A pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, shall be classified as a truant. . . .

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student’s 6<sup>th</sup> birthday or after the student’s 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications for only those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**



# **KERN HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2000, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

November 2006



**STEVE WESTLY**  
**California State Controller**

November 29, 2006

Donald E. Carter, Ed.D., Superintendent  
Kern High School District  
5801 Sundale Avenue  
Bakersfield, CA 93309

Dear Dr. Carter:

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed and was paid \$418,643 for the mandated program. Our audit disclosed that the entire amount is allowable.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: David Chalupa, Director of Fiscal Services  
Kern High School District  
Vicki Spanos, Attendance Administrator  
Kern High School District  
Larry E. Reider, Superintendent of Schools  
Kern County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was September 12, 2006.

The district claimed and was paid \$418,643 for the mandated program. Our audit disclosed that the entire amount is allowable.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

*Education Code* Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when the pupil is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, a pupil is initially classified as truant upon the fourth unexcused absence for mandate-reimbursement purposes.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

For the audit period, Kern High School District claimed and was paid \$418,643 for costs of the Notification of Truancy Program. Our audit disclosed no material instances of noncompliance with the requirements outlined above.

## **Views of Responsible Official**

We discussed our audit results with the district's representative during an exit conference conducted on September 12, 2006. David Chalupa, Director of Fiscal Services, agreed with the audit results. Mr. Chalupa declined a draft audit report and agreed that we could issue the audit report as final.

## **Restricted Use**

This report is solely for the information and use of the Kern High School District, the Kern County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>
<u>July 1, 2000, through June 30, 2001</u>		
Number of initial truancy notifications	10,793	10,793
Uniform cost allowance	× \$12.73	× \$12.73
Total program costs	<u>\$ 137,395</u>	137,395
Less amount paid by the State		<u>(137,395)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>July 1, 2001, through June 30, 2002</u>		
Number of initial truancy notifications	10,575	10,575
Uniform cost allowance	× \$12.91	× \$12.91
Total program costs	<u>\$ 136,523</u>	136,523
Less amount paid by the State		<u>(136,523)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>July 1, 2002, through June 30, 2003</u>		
Number of initial truancy notifications	10,964	10,964
Uniform cost allowance	× \$13.20	× \$13.20
Total program costs	<u>\$ 144,725</u>	144,725
Less amount paid by the State		<u>(144,725)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>
<u>Summary: July 1, 2000, through June 30, 2003</u>		
Total program costs	<u>\$ 418,643</u>	\$ 418,643
Less amount paid by the State		<u>(418,643)</u>
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

# **KERN HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2007, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

May 2013





**JOHN CHIANG**  
**California State Controller**

May 29, 2013

Bryan Batey, President  
Board of Trustees  
Kern High School District  
5801 Sundale Avenue  
Bakersfield, CA 93309-2924

Dear Mr. Batey:

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$1,244,571 for the mandated program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/vb

cc: Donald E. Carter, Ed.D., Superintendent  
Kern High School District  
David Chalupa, Director, Fiscal Services  
Kern High School District  
Don McKenzie, Fiscal Services Accountant  
Kern High School District  
Lynn Bauer, Administrator, Attendance Accounting  
Kern High School District  
James L. Bartleson, President, Board of Education  
Kern County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office audited the costs claimed by the Kern High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2011.

The district claimed \$1,244,571 for the mandated program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Kern High School District claimed \$1,244,571 for costs of the Notification of Truancy Program. Our audit found that \$1,193,318 is allowable and \$51,253 is unallowable. The State paid the district \$125,404. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,067,914, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on May 14, 2013. David Chalupa, Director, Fiscal Services, and Don McKenzie, Assistant Director of Budget, agreed with the audit results. Mr. Chalupa declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of the Kern High School District, the Kern County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

May 29, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2011**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u> <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,984	17,380	(604)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs <sup>2</sup>	<u>\$ 310,764</u>	<u>\$ 300,327</u>	<u>\$ (10,437)</u>
Less amount paid by the State		<u>(7)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 300,320</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	15,897	15,471	(426)
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Total program costs	<u>\$ 282,013</u>	<u>\$ 274,456</u>	<u>\$ (7,557)</u>
Less amount paid by the State		<u>(63,899)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 210,557</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,521	16,932	(589)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs	<u>\$ 313,100</u>	<u>\$ 302,575</u>	<u>\$ (10,525)</u>
Less amount paid by the State		<u>(61,498)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 241,077</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Number of initial truancy notifications	18,518	17,275	(1,243)
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29
Total program costs	<u>\$ 338,694</u>	<u>\$ 315,960</u>	<u>\$ (22,734)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 315,960</u>	
<u>Summary: July 1, 2007, through June 30, 2011</u>			
Total program costs	<u>\$ 1,244,571</u>	<u>\$ 1,193,318</u>	<u>\$ (51,253)</u>
Less amount paid by the State		<u>(125,404)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,067,914</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Calculation differences due to rounding.

## Finding and Recommendation

### FINDING— Non-reimbursable initial truancy notifications

The district claimed non-reimbursable initial truancy notifications totaling \$51,253. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications claimed based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences before reaching age 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	2007-08	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Fewer than three before age 18	(5)	(2)	(4)	(8)
Fewer than three total	<u>—</u>	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>
Unallowable initial truancy notifications	<u>(5)</u>	<u>(4)</u>	<u>(5)</u>	<u>(10)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each fiscal year:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of unallowable initial truancy notifications from statistical sample	(5)	(4)	(5)	(10)	
Statistical sample size	÷ 149	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(3.36)%	(2.68)%	(3.36)%	(6.71)%	
Population sampled	× 17,984	× 15,897	× 17,521	× 18,518	
Extrapolated number of unallowable initial truancy notifications	(604)	(426)	(589)	(1,243)	
Uniform cost allowable	× \$17.28	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment	<u>\$ (10,437)</u>	<u>\$ (7,557)</u>	<u>\$ (10,525)</u>	<u>\$ (22,734)</u>	<u>\$ (51,253)</u>



Education Code section 48260, subdivision (a), states:

*A pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

We recommend that the district claim initial truancy notifications for only those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **LODI UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983;  
Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995;  
and Chapter 69, Statutes of 2007

*July 1, 2008, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

May 2014



**JOHN CHIANG**  
**California State Controller**

May 23, 2014

Bonnie Cassel, President  
Board of Education  
Lodi Unified School District  
1305 E. Vine Street  
Lodi, CA 95240

Dear Ms. Cassel:

The State Controller's Office audited the costs claimed by Lodi Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$350,641 for the mandated program. Our audit found that \$306,211 is allowable and \$44,430 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$49,592. The State will pay allowable costs claimed that exceed the amount paid, totaling \$256,619, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/kw

cc: Cathy Washer, Ed.D., Superintendent  
Lodi Unified School District  
Tim Hern, Associate Superintendent/Chief Business Officer  
Lodi Unified School District  
Maria Fong, CPA, Senior Director/Controller  
Lodi Unified School District  
Bill Toledo, Child Welfare and Attendance Coordinator  
Lodi Unified School District

KT Yorba, Director  
District Business Services  
San Joaquin County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Senior Fiscal Policy Advisor  
Government Affairs Division  
California Department of Education  
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California Department of Finance  
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State Controller's Office

# Contents

## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Lodi Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$350,641 for the mandated program. Our audit found that \$306,211 is allowable and \$44,430 is unallowable. The costs are unallowable because the district claimed unsupported and unallowable initial truancy notifications. The State paid the district \$49,592. The State will pay allowable costs claimed that exceed the amount paid, totaling \$256,619, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Lodi Unified School District claimed \$350,641 for costs of the Notification of Truancy Program. Our audit found that \$306,211 is allowable and \$44,430 is unallowable.

The State paid the district \$49,592. Our audit found that \$306,211 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$256,619, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on May 6, 2014. Tim Hern, Associate Superintendent/Chief Business Officer; Maria Fong, CPA, Senior Director/Controller; April Juarez, Accountant Budget Analyst; and Bill Toledo, Child Welfare and Attendance Coordinator, agreed with the audit results. Mr. Hern declined a draft audit report and agreed that we could issue the audit report as final.



## **Restricted Use**

This report is solely for the information and use of Lodi Unified School District, the San Joaquin County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

May 23, 2014

**Schedule 1—  
Summary of Program Costs  
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	6,453	4,934	(1,519)	Findings 1,2
Uniform cost allowance	× \$17.74 ×	× \$17.74 ×	× \$17.74	
Total program costs	<u>\$ 114,476</u>	87,529	<u>\$ (26,947)</u>	
Less amount paid by the State		(25,938)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,591</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	6,739	6,298	(441)	Findings 1,2
Uniform cost allowance	× \$17.87 ×	× \$17.87 ×	× \$17.87	
Total program costs	<u>\$ 120,426</u>	112,545	<u>\$ (7,881)</u>	
Less amount paid by the State		(23,654)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 88,891</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	6,328	5,803	(525)	Findings 1,2
Uniform cost allowance	× \$18.29 ×	× \$18.29 ×	× \$18.29	
Total program costs	<u>\$ 115,739</u>	106,137	<u>\$ (9,602)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 106,137</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 350,641</u>	\$ 306,211	<u>\$ (44,430)</u>	
Less amount paid by the State		(49,592)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 256,619</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation difference due to rounding.

# Findings and Recommendations

## **FINDING 1— Unallowable initial truancy notifications**

The district claimed unallowable costs totaling \$10,554. The district claimed costs for distributing 19,520 initial truancy notifications, but only provided support that it distributed 18,970. This represents a difference of 550 notifications (288 for FY 2008-09, 187 for FY 2009-10, and 75 for FY 2010-11). Of the notifications that the district did support, 20 were for students that appeared two or more times in the district's records (duplicate notifications) and 21 were for students involved in independent study programs. A student's initial truancy notification is the only notification eligible for mandated program reimbursement. Students that participate in independent study programs are not subject to compulsory attendance requirements and are, therefore, not reimbursable under the mandated program.

For fiscal year (FY) 2008-09, the district claimed costs for distributing 6,453 truancy notifications during the school year to students' parents or guardians. However, the district provided a list of students for whom it distributed truancy notifications taken from its attendance accounting system that supported the distribution of 6,165 notifications, a difference of 288 initial truancy notifications. Additionally, there were 12 unallowable initial truancy notifications distributed for students participating in independent study programs based on the district's electronic list.

For FY 2009-10, the district claimed costs for distributing 6,739 truancy notifications. However, the list of students taken from its accounting system supported 6,552 notifications, a difference of 187 initial truancy notifications. Additionally, there were 20 unallowable notifications that were issued more than once for the same student (duplicate notifications) and 9 unallowable initial truancy notifications distributed for students participating in independent study programs based on the district's electronic list.

For FY 2010-11, the district claimed costs for distributing 6,328 truancy notifications. However, the list of students taken from its attendance accounting system supported 6,253 notifications, a difference of 75 initial truancy notifications.

The parameters and guidelines (section IV – Reimbursable Costs), state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section V.A – Claim Preparation, Uniform Cost Allowance Reimbursement), state:

Each claim for reimbursement pursuant to Education Code Section 48260.5, Chapter 498, Statutes of 1983, must be timely filed and provide documentation in support of the reimbursement claimed for this mandated program. Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian. The agency must maintain documentation that indicates the total number of initial notifications of truancy distributed.

The parameters and guidelines (section VI – Record Retention), state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller . . . and be made available at the request of the State Controller or his agent.

The following table summarizes the overclaimed initial truancy notifications and resulting audit adjustments:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Initial truancy notifications supported by district	6,165	6,552	6,253	18,970
Less initial truancy notifications claimed	(6,453)	(6,739)	(6,328)	(19,520)
Unsupported initial truancy notifications	(288)	(187)	(75)	(550)
Unallowable duplicate notifications claimed	—	(20)	—	(20)
Unallowable independent study students	(12)	(9)	—	(21)
(Overclaimed) initial truancy notifications	(300)	(216)	(75)	(591)
Uniform cost allowance	\$ 17.74	\$ 17.87	\$ 18.29	
Audit adjustment	\$ (5,322)	\$ (3,860)	\$ (1,372)	\$ (10,554)

### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by the Parameters and Guidelines.

### **FINDING 2— Non-reimbursable initial truancy notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$33,876. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardiness to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on grade level, we stratified the population into

two groups: elementary students, and middle and high school students. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting system.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.
- For FY 2008-09, the district was unable to provide attendance records for some of the students included in our sample.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year		
	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(7)	(9)	(3)
Fewer than three total	(24)	(1)	(17)
No attendance records provided	(24)	—	—
Unallowable initial truancy notifications	<u>(55)</u>	<u>(10)</u>	<u>(20)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
<u>Elementary Schools</u>				
Unallowable initial truancy notifications	(14)	(9)	(3)	
Sample size	<u>143</u>	<u>143</u>	<u>143</u>	
Percentage of unallowable initial truancy notifications	-9.79%	-6.29%	-2.10%	
Population sampled	<u>2,856</u>	<u>3,206</u>	<u>2,970</u>	
Extrapolated number of unallowable initial truancy notifications	(280)	(202)	(62)	
Uniform cost allowance	<u>\$ 17.74</u>	<u>\$ 17.87</u>	<u>\$ 18.29</u>	
Audit adjustment - Elementary schools	<u>\$ (4,967)</u>	<u>\$ (3,610)</u>	<u>\$ (1,134)</u>	\$ (9,711)
<u>Middle/High Schools</u>				
Unallowable initial truancy notifications	(41)	(1)	(17)	
Sample size	<u>144</u>	<u>144</u>	<u>144</u>	
Percentage of unallowable initial truancy notifications	-28.47%	-0.69%	-11.81%	
Population sampled	<u>3,297</u>	<u>3,317</u>	<u>3,283</u>	
Extrapolated number of unallowable initial truancy notifications	(939)	(23)	(388)	
Uniform cost allowance	<u>\$ 17.74</u>	<u>\$ 17.87</u>	<u>\$ 18.29</u>	
Audit adjustment - Middle/High schools	<u>\$ (16,658)</u>	<u>\$ (411)</u>	<u>\$ (7,096)</u>	\$ (24,165)
Total audit adjustment	<u>\$ (21,625)</u>	<u>\$ (4,021)</u>	<u>\$ (8,230)</u>	<u>\$ (33,876)</u>

Education Code section 48260, subdivision (a), states:

Any pupil subject to compulsory full-time or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, is truant.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is truant.

The parameters and guidelines (section 1 – Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# LOS ANGELES UNIFIED SCHOOL DISTRICT

Audit Report

## NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2002, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

March 2011





**JOHN CHIANG**  
California State Controller

March 30, 2011

Mónica Garcia, President  
Board of Education  
Los Angeles Unified School District  
333 S. Beaudry Avenue  
Los Angeles, CA 90017

Dear Ms. Garcia:

The State Controller's Office audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCFORM.pdf](http://www.csm.ca.gov/docs/IRCFORM.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/wm

cc: Ramon C. Cortines, Superintendent  
Los Angeles Unified School District  
Timothy S. Rosnick, Controller  
Los Angeles Unified School District  
Debra Duardo, Director of Pupil Services  
Los Angeles Unified School District  
Maruch Atienza, Director of Accounting  
Los Angeles Unified School District  
Cynthia Lim, Executive Director  
Office of Data and Accountability  
Los Angeles Unified School District  
Jon R. Gundry, Interim County Superintendent of Schools  
Los Angeles County Office of Education  
Scott Hannan, Director  
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California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
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State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$2,677,458 for the mandated program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable. The costs are unallowable because the district claimed unsupported, non-mandate-related, and non-reimbursable initial truancy notification letters. The State paid the district \$1,525,741. The amount paid exceeds allowable costs claimed by \$628,707.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Los Angeles Unified School District claimed \$2,677,458 for costs of the Notification of Truancy Program. Our audit disclosed that \$897,034 is allowable and \$1,780,424 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$538,111. Our audit disclosed that the claimed costs are unallowable. The State will offset \$538,111 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$854,829. Our audit disclosed that \$6,967 is allowable. The State will offset \$847,862 from the other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$95,433. Our audit disclosed that \$45,153 is allowable. The State will offset \$50,280 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$142,051 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$37,353. Our audit disclosed that \$309,224 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$271,871, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$15. Our audit disclosed that \$393,639 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$393,624, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We issued a draft audit report on February 18, 2011. Timothy S. Rosnick, Controller, responded by letter dated March 25, 2011 (Attachment). The district did not directly respond to the factual accuracy of the audit findings. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Los Angeles Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

March 30, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	40,766	—	(40,766)	Finding 1
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total program costs <sup>2</sup>	<u>\$ 538,111</u>	—	<u>\$ (538,111)</u>	
Less amount paid by the state		(538,111)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (538,111)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	62,579	510	(62,069)	Finding 1
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs <sup>2</sup>	<u>\$ 854,829</u>	6,967	<u>\$ (847,862)</u>	
Less amount paid by the state		(854,829)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (847,862)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	6,683	3,162	(3,521)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs <sup>2</sup>	<u>\$ 95,433</u>	45,153	<u>\$ (50,280)</u>	
Less amount paid by the state		(95,433)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (50,280)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	13,458	9,141	(4,317)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs <sup>2</sup>	<u>\$ 209,137</u>	142,051	<u>\$ (67,086)</u>	
Less amount paid by the state		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 142,051</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	25,783	19,147	(6,636)	Findings 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs <sup>2</sup>	<u>\$ 416,395</u>	309,224	<u>\$ (107,171)</u>	
Less amount paid by the state		(37,353)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,871</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	32,613	22,780	(9,833)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs <sup>2</sup>	<u>\$ 563,553</u>	393,639	<u>\$ (169,914)</u>	
Less amount paid by the state		(15)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 393,624</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 2,677,458</u>	\$ 897,034	<u>\$ (1,780,424)</u>	
Less amount paid by the state		(1,525,741)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (628,707)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.



# Findings and Recommendations

## **FINDING 1— Unsupported and non-mandate-related initial truancy notifications claimed**

The district claimed unallowable costs totaling \$1,569,673. The costs are unallowable because the district claimed unsupported and non-mandate-related initial truancy notifications.

For operating purposes, the district segregates itself into eight local districts. Each local district has specific schools that report to it. During the audit period, the individual schools were responsible for distributing initial truancy notifications. The schools provided copies of the notifications to the local districts. The local districts summarized the notifications on monthly truancy logs and submitted those logs to the district. For fiscal year (FY) 2002-03 through FY 2005-06, the district stated that it filed its mandated cost claims based on the monthly truancy logs that the local districts provided. For FY 2006-07 and FY 2007-08, local districts submitted copies of the notifications to the district. The district created separate spreadsheets to summarize the notifications that local districts submitted. The district stated that it filed its FY 2006-07 and FY 2007-08 mandated cost claims based on the initial truancy notification copies it received.

During our audit, the district provided truancy data from its Integrated Student Information System for the audit period. However, district personnel stated that they could not provide assurance that the district actually issued initial truancy notifications for all students identified on the Integrated Student Information System. The number of students identified in the Integrated Student Information System did not agree with the number of initial truancy notifications claimed for any fiscal year within the audit period. In addition, the district provided the FY 2006-07 and FY 2007-08 summary spreadsheets that it created based on the copies of notifications that local districts submitted. However, for a significant number of students, the FY 2006-07 and FY 2007-08 spreadsheets did not contain sufficient information to identify the student for whom the district issued an initial truancy notification.

As a result, the district provided hardcopy documents that it represented as initial truancy notifications distributed. We organized the documents provided by fiscal year and grade level. For every fiscal year, the number of documents provided differed from the number of initial truancy notifications claimed. In addition, both the number of documents provided and the number of initial truancy notifications claimed differed from the number of initial truancy notifications that the district reported to the California Department of Education (CDE) for FY 2004-05 through FY 2007-08 (CDE information is not available for FY 2002-03 and FY 2003-04).

We previously reported the issue of unsupported initial truancy notifications for FY 1998-99 through FY 2000-01 in our audits published December 13, 2002. The district filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) in response to those audits. The CSM has not yet adjudicated the district's IRC.

From those documents that the district provided, we identified unallowable costs for the following reasons:

- The district provided multiple initial truancy notifications that it distributed for the same students during a school year. Only the first notification is eligible for mandated program reimbursement.
- The district provided miscellaneous letters that were unrelated to initial truancy notifications.
- The district provided initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district provided initial truancy notifications that did not contain sufficient information to identify the applicable students so that we could validate the notifications to the district's attendance records. Missing information included the letter date and the student's school and grade.
- The district provided "conference letters" that were unrelated to the initial truancy notifications. The district sent these letters to schedule in-person conferences between district representatives and the students' parents or legal guardians. These letters did not contain the information required for initial truancy notifications.
- The district provided habitual truancy letters that are unrelated to the initial truancy notification.

The following table summarizes the audit adjustment:

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Number of letters provided	—	750	9,128	16,001	25,393	32,474	
Number of initial truancy notifications claimed	(40,766)	(62,579)	(6,683)	(13,458)	(25,783)	(32,613)	
Understated/(overstated) number of initial truancy notifications	(40,766)	(61,829)	2,445	2,543	(390)	(139)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ (538,111)	\$ (844,584)	\$ 34,915	\$ 39,518	\$ (6,299)	\$ (2,402)	\$(1,316,963)
Multiple initial truancy notifications issued for the same student	—	(167)	(1,013)	(1,932)	(2,432)	(1,323)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ (2,281)	\$ (14,466)	\$ (30,023)	\$ (39,276)	\$ (22,862)	(108,908)
Miscellaneous letters unrelated to the initial truancy notification	—	(5)	(2,956)	(109)	(122)	(4)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ (68)	\$ (42,212)	\$ (1,694)	\$ (1,970)	\$ (69)	(46,013)
Initial truancy notifications distributed for charter school students	—	—	—	(969)	(590)	(811)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ —	\$ —	\$ (15,058)	\$ (9,529)	\$ (14,015)	(38,602)

	Fiscal Year						Total
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
Initial truancy notifications with insufficient information to identify student	—	—	(412)	(1,065)	(415)	(444)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ —	\$ (5,883)	\$ (16,550)	\$ (6,702)	\$ (7,672)	(36,807)
Conference letters	—	(18)	(521)	(155)	(177)	(87)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ (246)	\$ (7,440)	\$ (2,409)	\$ (2,859)	\$ (1,503)	(14,457)
Habitual truancy letters	—	(50)	(342)	(105)	(32)	(12)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs <sup>1</sup>	\$ —	\$ (683)	\$ (4,884)	\$ (1,632)	\$ (517)	\$ (207)	(7,923)
Audit adjustment	\$ (538,111)	\$ (847,862)	\$ (39,970)	\$ (27,848)	\$ (67,152)	\$ (48,730)	\$(1,569,673)

<sup>1</sup> Calculation differences due to rounding.

The parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government Code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those letters that it distributes for charter school students and multiple letters that it distributes for the same student during the school year.

District’s Response

The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement that what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District’s position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.

The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. . . . We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

#### SCO's Comment

Our finding and recommendation are unchanged. The district states that its "position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent." The district's response contradicts the claiming process that district personnel previously confirmed for FY 2002-03 through FY 2005-06. District personnel stated that during those fiscal years, the district filed its mandated cost claims based on monthly truancy logs prepared by the district's eight local districts.

The district acknowledges that the number of notifications claimed was less than the number of truant students that it reported to the CDE. The district states that fact is not an indication that the notifications were not sent out. However, the district did not provide any documentation to confirm that the notifications *were* sent out.

The district objects to the statutory period for audit as it applies to FY 2002-03 and FY 2003-04. Government Code section 17558.5, subdivision (a), states:

*A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim [emphasis added].*

For FY 2002-03 and FY 2003-04, the district did not receive a payment until September 12, 2006. We initiated the audit by first contacting the district on June 29, 2009. For FY 2002-03 and FY 2003-04, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless otherwise specified by statute and be made available at the request of the State Controller or his agent.

Therefore, the audit was initiated within the statutory period for audit and the district was required to maintain and produce records in accordance with the parameters and guidelines.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$210,751. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2004-05 through FY 2007-08, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district used either daily attendance accounting or period attendance accounting, depending on the student’s grade level. Therefore, we stratified each fiscal year’s population into two groups.

The district’s attendance records show that the district claimed initial truancy notifications that are non-reimbursable for the following reasons:

- For FY 2004-05 and FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2004-05 and FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2006-07 and FY 2007-08, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences during the school year. In many cases, individual schools were unable to locate students’ attendance records or had discarded records in accordance with the school’s record retention policies.

The following table summarizes the non-reimbursable initial truancy notifications that our statistical samples identified:

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	(2)	(5)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(10)	(6)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(10)	(3)
Fewer than three total	<u>(49)</u>	<u>(31)</u>	<u>(36)</u>	<u>(34)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(61)</u>	<u>(42)</u>	<u>(46)</u>	<u>(37)</u>
Period attendance accounting:				
Three total (FY 2004-05 and FY 2005-06)	—	(3)	—	—
Fewer than four while between ages 6 and 18 (FY 2004-05 and FY 2005-06)	(4)	(5)	—	—
Fewer than three while between ages 6 and 18 (FY 2006-07 and FY 2007-08)	—	—	(4)	(4)
Fewer than three total	<u>(3)</u>	<u>(19)</u>	<u>(5)</u>	<u>(30)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>	<u>(27)</u>	<u>(9)</u>	<u>(34)</u>

The following table summarizes the audit adjustment based on the non-reimbursable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(61)	(42)	(46)	(37)	
Statistical sample size	÷ 135	÷ 144	÷ 145	÷ 148	
Unallowable percentage	(45.19)%	(29.17)%	(31.72)%	(25.00)%	
Population sampled	× 1,316	× 3,542	× 4,561	× 9,831	
Extrapolated number of unallowable initial truancy notifications	(595)	(1,033)	(1,447)	(2,458)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, daily attendance accounting <sup>1</sup>	\$ (8,497)	\$ (16,053)	\$ (23,369)	\$ (42,474)	\$ (90,393)
Period attendance accounting:					
Number of unallowable initial truancy notification from statistical sample	(7)	(27)	(9)	(34)	
Statistical sample size	÷ 142	÷ 147	÷ 149	÷ 149	
Unallowable percentage	(4.93)%	(18.37)%	(6.04)%	(22.82)%	
Population sampled	× 2,568	× 8,124	× 17,064	× 19,962	
Extrapolated number of unallowable initial truancy notifications	(127)	(1,492)	(1,031)	(4,555)	
Uniform cost allowable	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Unallowable costs, period attendance accounting <sup>1</sup>	\$ (1,813)	\$ (23,185)	\$ (16,650)	\$ (78,710)	(120,358)
Audit adjustment	\$ (10,310)	\$ (39,238)	\$ (40,019)	\$ (121,184)	\$ (210,751)

<sup>1</sup> Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994, states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

For FY 2004-05 and FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The CSM did not amend the parameters and guidelines until July 1, 2006; therefore, an initial truancy notification is reimbursable for FY 2004-05 and FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Therefore, an initial truancy notification is reimbursable for FY 2006-07 and FY 2007-08 when a student has accumulated three or more unexcused absences of tardiness occurrences while between ages 6 and 18.

For FY 2002-03 through FY 2005-06, the parameters and guidelines state:

For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . .

For FY 2006-07 forward, the parameters and guidelines state:

All documents used to support the reimbursable activities. . . must be retained during the period subject to audit.

#### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines. We also recommend that the district retain all documentation that supports the reimbursable activities during the period that the district's claims are subject to audit.

#### District's Response

The district's response does not address the factual accuracy of the non-reimbursable initial truancy notifications identified.

#### SCO's Comment

Our finding and recommendation remain unchanged.

**Attachment—  
District’s Response to  
Draft Audit Report**

---



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**Accounting and Disbursements Division**

**RAMON C. CORTINES**  
*Superintendent of Schools*

**MICHELLE KING**  
*Deputy Superintendent, School Operations*



**MEGAN K. REILLY**  
*Chief Financial Officer*

**TIMOTHY S. ROSNICK**  
*Controller*

March 25, 2011

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
California State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Spano:

We received a copy of your draft audit report on the Notification of Truancy (NOT) Program for the period covering July 1, 2002 to June 30, 2008. Below are the District's responses:

- The District has existing policies and procedures in place that require all of our school sites to comply with the NOT mandate. The fact that we claimed a significantly lower number of notifications for reimbursement than what was reported to the California Department of Education is not an indication that the notifications were not sent out. The District's position in filing the claims has always been to file only the claims that we have been able to document by maintaining copies of the letters that were sent.
- The District acknowledges that we are unable to locate the files for fiscal years 2002-03 and 2003-04. This resulted in the disallowance of \$1.4 million, which is 80% of the total amount disallowed in the audit. We would like to reiterate the District's position that the statutory practice of beginning the audit window for mandate claims three years after the state funds them rather than three years from the date the claim is submitted is entirely unfair to school agencies. The ability of school agencies to retain records of such detail and volume for many years is a burden that is beyond reasonable.

We would also like to inform your office that starting in fiscal year 2010-11, the District has centralized and automated the process of generating and sending out the NOT letters. This new process will address all the findings identified in this audit.

Per your request, attached is the management representation letter. We would like to thank you and your staff for working with District staff during the audit process.

J. Spano  
March 25, 2011  
Page 2

If you have any questions, please call me at (213) 241-7989 or Maruch Atienza at (213) 241-7982.

Sincerely,



Timothy S. Rosnick  
Controller

c: Ramon C. Cortines  
Cynthia Lim

Megan K. Reilly  
Luis Buendia

Debra Duardo  
Maruch Atienza

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **MORENO VALLEY UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1999, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

December 2004



**STEVE WESTLY**  
California State Controller

December 22, 2004

Nicolas D. Ferguson, Ed.D., Superintendent  
Moreno Valley Unified School District  
13911 Perris Boulevard  
Moreno Valley, CA 92553

Dear Mr. Ferguson:

The State Controller's Office audited the claims filed by the Moreno Valley Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$667,854 for the mandated program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable. The unallowable costs occurred because the district overclaimed the number of reimbursable truancy notifications. The district was paid \$433,846. The amount paid in excess of allowable costs claimed, totaling \$369,038, should be returned to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/ams

cc: (See page 2)

David Long, Ph.D.  
Riverside County Superintendent of Schools  
Riverside County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Educational Consultant  
School Fiscal Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Moreno Valley Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was August 26, 2003.

The district claimed \$667,854 for the mandated program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable. The unallowable costs occurred because the district overclaimed the number of reimbursable truancy notifications. The district was paid \$433,846. The amount paid in excess of allowable costs claimed, totaling \$369,038, should be returned to the State.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school district's, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandated and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.



## Objective, Scope, and Methodology

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

We performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

We limited our review of the district's management controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Moreno Valley Unified School District claimed \$667,854 for costs of the Notification of Truancy Program. Our audit disclosed that \$64,808 is allowable and \$603,046 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$240,701 by the State. Our audit disclosed that none is allowable. The amount paid in excess of allowable costs claimed, totaling \$240,701, should be returned to the State.

For FY 2000-01, the district was paid \$40,027 by the State. Our audit disclosed that none is allowable. The amount paid in excess of allowable costs claimed, totaling \$40,027, should be returned to the State.

For FY 2001-02, the district was paid \$153,118 by the State. Our audit disclosed that \$64,808 is allowable. The amount paid in excess of allowable costs claimed, totaling \$88,310, should be returned to the State.

**Views of  
Responsible  
Official**

We issued a draft audit report on October 28, 2004. We contacted Estuardo Santillan, Business Manager, by e-mail on November 24, 2004. The district did not respond to the draft report or the e-mail.

**Restricted Use**

This report is solely for the information and use of the Moreno Valley Unified School District and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	19,763	—	(19,763)	Finding 2
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	
Total costs	<u>\$ 241,701</u>	\$ —	<u>\$ (241,701)</u>	
Less amount paid by the State		<u>(240,701)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (240,701)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	16,455	—	(16,455)	Finding 2
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Total costs	<u>\$ 209,472</u>	\$ —	<u>\$ (209,472)</u>	
Less amount paid by the State		<u>(40,027)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (40,027)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,784	5,020	(11,764)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total costs	<u>\$ 216,681</u>	\$ 64,808	<u>\$ (151,873)</u>	
Less amount paid by the State		<u>(153,118)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (88,310)</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total costs	<u>\$ 667,854</u>	\$ 64,808	<u>\$ (603,046)</u>	
Less amount paid by the State		<u>(433,846)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (369,038)</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

**FINDING 1—  
Overclaimed  
number of initial  
truancies**

The district claimed 745 initial truancies, totaling \$9,618, that were not supported by its attendance records for FY 2001-02 claimed costs. The district did not maintain the student absence reports originally used to prepare the claim and re-created reports did not support the same number of initial truancy notifications that were distributed.

	<u>Fiscal Year 2001-02</u>
Truancies supported by absence reports	16,039
Less truancies claimed	<u>(16,784)</u>
Truancies unallowable	(745)
Unit cost	<u>× \$12.91</u>
Audit adjustment	<u>\$ (9,618)</u>

Recommendation

We recommend the district establish policies and procedures to ensure that all claimed costs are fully supported and that supporting documentation used to prepare the claim is maintained for the periods subject to audit.

**FINDING 2—  
Unallowable costs  
relating to initial  
truancies**

The district claimed \$658,236 during the audit period for initial truancy notification forms distributed to a pupil’s parent or guardian that were not reimbursable. Either non-reimbursable notification forms were used or the pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandated program. The audit adjustment is summarized as follows:

	<u>Fiscal Year</u>			
	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Allowable per audit	\$ —	\$ —	\$ 64,808	\$ 64,808
Less actual costs claimed	<u>(241,701)</u>	<u>(209,472)</u>	<u>(207,063)</u>	<u>(658,236)</u>
Audit adjustment	<u>\$ (241,701)</u>	<u>\$ (209,472)</u>	<u>\$ (142,255)</u>	<u>\$ (593,428)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. We reviewed attendance records for a random sample of 147 pupils claimed as truant in each of the first two fiscal years. In the third fiscal year, we stratified the total population into two groups: (1) elementary and special education students; and (2) middle and high school students. For each of these two groups, the auditor selected a sample of 147 pupils.

The number of unallowable truancy notifications identified in the sample, percentage unallowable, and projected audit adjustment are summarized below:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Number of unallowable truancy notifications	147	147	202	
Truant pupils sampled	÷ 147	÷ 147	÷ 294	
Unallowable percentage Truancy notifications claimed	(100.00)%	(100.00)%	(68.71)%	
Projected unallowable truancy notifications	× 19,763	× 16,455	× 16,039	
Uniform cost allowance	(19,763)	(16,455)	(11,019)	
Audit adjustment	× \$12.23	× \$12.73	× \$12.91	
	<u>\$ (241,701)</u>	<u>\$ (209,472)</u>	<u>\$ (142,255)</u>	<u>\$ (593,428)</u>

For FY 1999-2000 and FY 2000-01, we sampled 147 of the notifications claimed each year. The sampled notifications used a truancy notification letter that did not contain the following four of the five required elements outlined in the *Parameters and Guidelines*: (1) that the parent or guardian is obligated to compel the attendance of the pupil at school; (2) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution under Article 6; (3) the alternative educational programs available in the district; and (4) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Consequently, all 147 notifications sampled are not reimbursable.

For FY 2001-02, we sampled 294 of the notifications claimed. The district did not provide any documentation supporting that 193 of the 294 notifications were distributed. Nine of the notifications that were distributed were issued to pupils that did not have four or more trancies. Consequently, 202 of the notifications sampled are not reimbursable.

*Parameters and Guidelines*, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping. *Parameters and Guidelines* states that truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Parameters and Guidelines* also states that the uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is to be adjusted each subsequent year by the Implicit Price Deflator.

### Recommendation

We recommend the district only claim reimbursement under the Notification of Truancy Program for truancy notifications applicable to pupils who are absent from school without valid excuse for more than three days or tardy in excess of 30 minutes on each of more than three occasions in one school year. Although *Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, *Parameters and Guidelines* requires at least four unexcused absences to be classified as a reimbursable truant.

In addition, we recommend the district maintain supporting documentation that a notification of truancy letter containing the five required elements in the *Parameters and Guidelines* was distributed to students' parents or guardians. While *Education Code* Section 48260.5 requires eight elements to be contained in the notification of truancy letter, *Parameters and Guidelines* only requires five elements. Supporting documentation can be in the form of either samples of each initial truancy notification letter distributed to parents/guardians or a master copy of the initial truancy notification letter sent to the parents/guardians of all truant students that is supported by attendance records which verify: (1) that the student had at least four unexcused absences during the school year; and (2) the date that an initial notification of truancy letter was sent to the parents/guardians.

### **FINDING 3— Improper attendance accounting procedures of student trancies for FY 2001-02**

The district did not use proper attendance accounting procedures for student trancies in middle and high schools for the period of July 1, 2001, through June 30, 2002. The SCO review of attendance records indicated that the district classified the middle and high school students as truant only if the student had three or more "all day" absences. For these students, an "all day" absence is defined by the district as either being absent for an entire school day or for a majority of the periods within a school day. The district's attendance accounting procedures of student trancies did not meet the criteria specified in Section I of the *Parameters and Guidelines* or the existing language contained in *Education Code* Section 48260(a).

We randomly sampled 147 of 8,303 middle and high school truancy notifications claimed. A total of 134 of the notifications in the sample were documented using improper attendance accounting procedures of student trancies. Because initial notification letters were distributed later than would have been the case had proper attendance accounting procedures been followed, no dollar amount will be assigned to this noncompliance based solely on the timing of letter distributions.

Section I of the *Parameters and Guidelines* states, “A truancy occurs when a student is absent from school without valid excuse more than three (3) days **or** is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year” (emphasis added). Current language contained within *Education Code* Section 48260(a) more explicitly defines truancy as “Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, **or any combination thereof. . . .**” (emphasis added).

#### Recommendation

We recommend the district develop adequate truancy accounting policies and procedures that are consistent with *Education Code* Section 48260(a) and Section I of the *Parameters and Guidelines* to ensure that all claimed costs are eligible and properly supported.

**FINDING 4—  
Noncompliance with  
the district’s School  
Attendance Review  
Board (SARB)  
Handbook guidelines  
for FY 2001-02**

Two of the six school sites that we visited sent out noncompliant Notification of Truancy letters to students’ parents during FY 2001-02. Specifically, Badger Springs Middle School sent out noncompliant Spanish Notification of Truancy letters and Butterfield Elementary School sent out noncompliant English Notification of Truancy letters. As the student letters tested were not part of the statistical sample population selected for sample testing, no dollar adjustment will be taken for the two schools’ noncompliant notification letters.

The school district’s FY 2001-02 School Attendance Review Board (SARB) Handbook (page 5) requires all schools in the district to follow “Notification Procedures” and send a standardized initial notification of truancy letter, “District Letter Number 1,” to student parents/guardians once the student is classified as truant.

#### Recommendation

We recommend the district develop adequate control and monitoring procedures to ensure that existing district truancy policies and procedures are implemented and followed by all schools within the district.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**



# **MORENO VALLEY UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2005, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

August 2012



**JOHN CHIANG**  
**California State Controller**

August 21, 2012

Tracey B. Vackar, President  
Board of Education  
Moreno Valley Unified School District  
25634 Alessandro Boulevard  
Moreno Valley, CA 92553

Dear Ms. Vackar:

The State Controller's Office audited the costs claimed by Moreno Valley Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

This revised final report supersedes our previous report dated February 9, 2011. Our original report identified FY 2005-06 unallowable costs totaling \$108,236, because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$86,589 for the audit period.

The district claimed \$590,230 for the mandated program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The costs are unallowable because the district claimed noncompliant, overstated, and non-reimbursable initial truancy notifications. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

If you disagree with the revised audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Judy D. White, Ed.D., Superintendent  
Moreno Valley Unified School District  
Mays Kakish  
Assistant Superintendent of Business Services  
Moreno Valley Unified School District  
Ken Schmidt, Director  
Student Services/Child Welfare and Attendance  
Moreno Valley Unified School District  
Lynne Craig, President  
Board of Education  
Riverside County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Moreno Valley Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2008.

The district claimed \$590,230 for the mandated program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The costs are unallowable because the district claimed noncompliant, overstated, and non-reimbursable initial truancy notifications. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2005, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Moreno Valley Unified School District claimed \$590,230 for costs of the Notification of Truancy Program. Our audit disclosed that \$514,590 is allowable and \$75,640 is unallowable. The State paid the district \$19,340. The State will pay allowable costs claimed that exceed the amount paid, totaling \$495,250, contingent upon available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on January 5, 2011. Estuardo Santillan, Interim Assistant Superintendent, Business Services, and Patty Rucker, Coordinator, Student Services, did not comment on the audit results. In an e-mail dated January 18, 2011, Ken Schmidt, Director, Student Services/Child Welfare and Attendance, confirmed that the district had no comment on the findings, declined a draft audit report, and agreed that we could issue the audit report as final.

We issued a final audit report on February 9, 2011. Subsequently, we revised Finding 1 to allow partial reimbursement for noncompliant initial truancy notifications claimed in FY 2005-06. As a result, we revised Finding 1 to reduce the audit adjustment from \$108,236 to \$21,647. We advised Mr. Schmidt of the revisions. Mr. Schmidt stated that he appreciated the notification, but did not comment specifically on the revised audit finding.

**Restricted Use**

This report is solely for the information and use of the Moreno Valley Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

August 21, 2012

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2005, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	6,965	6,965	—	
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Subtotal <sup>2</sup>	\$ 108,236	\$ 108,236	\$ —	
Noncompliant initial truancy notifications	—	(21,647)	(21,647)	Finding 1
Total program costs	<u>\$ 108,236</u>	86,589	<u>\$ (21,647)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 86,589</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	14,234	12,591	(1,643)	Findings 2, 3
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs <sup>2</sup>	<u>\$ 229,879</u>	203,344	<u>\$ (26,535)</u>	
Less amount paid by the State		(19,331)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 184,013</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	14,590	13,001	(1,589)	Finding 3
Unit cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs <sup>2</sup>	<u>\$ 252,115</u>	224,657	<u>\$ (27,458)</u>	
Less amount paid by the State		(9)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 224,648</u>		
<u>Summary: July 1, 2005, through June 30, 2008</u>				
Total program costs	<u>\$ 590,230</u>	\$ 514,590	<u>\$ (75,640)</u>	
Less amount paid by the State		(19,340)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 495,250</u>		

<sup>1</sup> See the revised Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.



# Revised Findings and Recommendations

**FINDING 1—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$21,647. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the program’s parameters and guidelines.

For FY 2005-06, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following five items:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Education Code sections 48290 through 48296.
4. That alternative educational programs are available in the district.
5. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.

The district distributed initial truancy notifications that did not include the third item identified above. As a result, 20% (1/5) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2005-06
Number of notifications claimed	6,965
Uniform cost allowance	× \$15.54
Subtotal	\$ 108,236
Unallowable percentage	× (20)%
Audit adjustment	<u>\$ (21,647)</u>

Recommendation

No recommendation is applicable. The district revised its initial truancy notification form after FY 2005-06. The revised initial truancy notification complies with the parameters and guidelines.

**FINDING 2—  
Overstated number of  
initial truancy  
notifications claimed**

For FY 2006-07, the district overstated the number of allowable initial truancy notifications issued. As a result, the district claimed unallowable costs totaling \$355.

The district provided documentation identifying 14,241 notifications issued. However, the documentation shows that the district issued two notifications for 29 students. Only the initial truancy notification is reimbursable under the mandated program. Therefore, only 14,212 notifications are allowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2006-07
Initial truancy notifications documented	14,241
Less duplicate notifications issued	<u>(29)</u>
Allowable initial truancy notifications	14,212
Less initial truancy notifications claimed	<u>(14,234)</u>
Overstated initial truancy notifications	(22)
Uniform cost allowance	× \$16.15
Audit adjustment	<u>\$ (355)</u>

The parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count multiple letters that it distributes for the same student.

**FINDING 3—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed unallowable costs totaling \$53,638 for FY 2006-07 and FY 2007-08. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2006-07 and FY 2007-08, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the allowable population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district uses either daily attendance accounting or period attendance accounting, depending on the student’s grade level. Therefore, we stratified each fiscal year’s population into two groups and selected separate samples for each group.

The district claimed initial truancy notifications that are unallowable for the following reasons:

- The student accumulated three or more total unexcused absences or tardiness occurrences during the school year, but fewer than three of these occurred while the student was between ages 6 and 18.
- The student accumulated fewer than three total unexcused absences or tardiness occurrences.

The following table summarizes the unallowable initial truancy notifications identified in our statistical samples:

	Fiscal Year	
	2006-07	2007-08
Number of unexcused absences and tardiness occurrences accumulated during the school year		
Daily attendance accounting:		
Fewer than three while between ages 6 and 18	27	7
Fewer than three total	9	23
Unallowable initial truancy notifications, daily attendance accounting	36	30
Period attendance accounting:		
Fewer than three while between ages 6 and 18	3	—
Fewer than three total	—	6
Unallowable initial truancy notifications, period attendance accounting	3	6

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment:

	Fiscal Year		Total
	2005-06	2007-08	
Daily attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(36)	(30)	
Statistical sample size	÷ 146	÷ 146	
Unallowable percentage	(24.66)%	(20.55)%	
Population sampled	× 5,883	× 6,035	
Extrapolated number of unallowable initial truancy notifications	(1,451)	(1,240)	
Uniform cost allowance	× \$16.15	× \$17.28	
Unallowable costs, daily attendance accounting	\$ (23,434)	\$ (21,427)	\$ (44,861)
Period attendance accounting:			
Number of unallowable initial truancy notifications from statistical sample	(3)	(6)	
Statistical sample size	÷ 147	÷ 147	
Unallowable percentage	(2.04)%	(4.08)%	
Population sampled	× 8,329	× 8,555	
Extrapolated number of unallowable initial truancy notifications	(170)	(349)	
Uniform cost allowance	× \$16.15	× \$17.28	
Unallowable costs, period attendance accounting	\$ (2,746)	\$ (6,031)	(8,777)
Audit adjustment	\$ (26,180)	\$ (27,458)	\$ (53,638)

Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student’s 6<sup>th</sup> birthday or after the student’s 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

In addition, the parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

**State Controller's Office  
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Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **OAKLAND UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1998, through June 30, 2000*



**STEVE WESTLY**  
California State Controller

August 2003



**STEVE WESTLY**  
California State Controller

August 6, 2003

Dennis Chaconas, Superintendent  
Oakland Unified School District  
1025 Second Avenue  
Oakland, CA 94606

Dear Mr. Chaconas:

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The district claimed and was paid \$312,804 for the mandated program. Our audit disclosed that none of the claimed costs are allowable. The unallowable costs occurred because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

The SCO has established an informal audit review process to resolve a dispute of facts. The auditee should submit, in writing, a request for a review and all information pertinent to the disputed issues within 60 days after receiving the final report. The request and supporting documentation should be submitted to: Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

WALTER BARNES  
Chief Deputy State Controller, Finance

WB:kmm/jj

cc: (see page 2)



cc: Phillip D. White  
Deputy Superintendent  
Oakland Unified School District  
Gloria Gamblin  
Chief Financial Officer  
Oakland Unified School District  
Sheila Jordan  
County Superintendent of Schools  
Alameda County Office of Education  
Janet Sterling, Director  
School Fiscal Services Division  
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California Department of Education  
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Education Systems Unit  
Department of Finance  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the Oakland Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000. The last day of fieldwork was March 14, 2003.

The district claimed and was paid \$312,804 for the mandated program. The audit disclosed that none of the claimed costs are allowable because the district was unable to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. The total amount should be returned to the State.

## Background

In 1983, the State enacted Chapter 498, Statutes of 1983, requiring that special notifications be sent to the parents or guardians of pupils upon initial classification of truancy.

The legislation requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of: (1) the pupil's truancy; (2) the parent's or guardian's obligation to compel the attendance of the pupil at school; and (3) a warning that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution.

In addition, the legislation requires the district to inform parents and guardians of: (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts and county offices of education reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines*, adopted by the Commission on State Mandates, establishes the state mandate and define criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist school districts and local agencies in claiming reimbursable costs.

**Objective,  
Scope, and  
Methodology**

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1998, through June 30, 2000.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the district's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the Finding and Recommendation section of this report and in the accompanying Summary of Program Costs (Schedule 1).

For the audit period, the Oakland Unified School District claimed and was paid \$312,804 for costs of the legislatively mandated Notification of Truancy Program. The audit disclosed that none of the costs is allowable.

**Views of  
Responsible  
Official**

The SCO issued a draft report on May 30, 2003. Sheri Gamba, Fiscal Services Officer, responded by letter dated June 20, 2003, disagreeing with the audit results. The district's response is included as an attachment to this final audit report.

## **Restricted Use**

This report is solely for the information and use of the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Finding and Recommendation

**FINDING—  
Overclaimed number  
of initial truancy  
notification forms  
distributed**

The district was not able to support any of the claimed costs for initial truancy notification forms distributed to a pupil's parent or guardian, totaling \$312,804 for the period of July 1, 1998, through June 30, 2000 (\$221,996 for fiscal year (FY) 1998-99 and \$90,808 for FY 1999-2000).

In its claims, the district identified, by school site, the total number of initial truancy notification forms distributed. However, the district was unable to provide any documentation supporting how the claimed number of initial truancy notifications was determined. Further, the district was unable to reconcile the claimed truanancies to the students who were identified as truant on its Attendance Accounting System. The variances are as follows:

	<u>Number of Notifications</u>		
	<u>Fiscal Year</u>		
	<u>1998-99</u>	<u>1999-2000</u>	<u>Total</u>
Truanancies per district's accounting system <i>(four or more unexcused absences)</i>	18,087	20,994	39,081
Truanancies claimed	<u>15,572</u>	<u>18,244</u>	<u>33,816</u>
Variance	<u>2,515</u>	<u>2,750</u>	<u>5,265</u>

The auditors attempted to randomly sample 51 of the 77 school sites, totaling 66%, in FY 1998-99 and 52 of the 80 school sites in FY 1999-2000, totaling 65%, that claimed initial truancy notifications that were distributed to a pupil's parent or guardian. However, the district was not able to provide documentation supporting any of the claimed initial truancy notifications. Therefore, the entire claimed number of initial truancy notification is unsupported and thus unallowable.

The district agreed that it was unable to substantiate the claimed number of initial truancy notification forms distributed. The district representatives noted that they are in the process of implementing a new procedure to notify a pupil's parent or guardian of initial truancy. The new process includes an automated process whereby the district's attendance accounting system, upon a pupil's initial classification as a truant, will automatically generate a letter (Z-Copy). In lieu of hard copies, the list of pupil's names will be maintained for audit purposes. In addition, a separate postage meter will be maintained as evidence of postage for the notifications.

*Parameters and Guidelines*, adopted by the State Board of Control (now the Commission on State Mandates) on November 29, 1984, allows the district to be reimbursed for claimed costs if the initial truancy notification form distributed to the pupil's parent or guardian contains five specific elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require eight specific elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specific elements in the guidelines.

*Parameters and Guidelines*, Section I., requires "... school districts,

upon the pupil's initial classification as a truant, to notify the pupil's parent or guardian, by first-class mail or other reasonable means, of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of part 27." Furthermore, the guidelines state that the "...district must inform parents and guardians of (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy."

*Parameters and Guidelines*, Section V.A., states, "The eligible claimant shall be reimbursed for only those costs incurred for . . . the printing and distribution of notification forms. . . ."

*Parameters and Guidelines*, Section V.B.1., states that the claimant shall be reimbursed for "Planning the method of implementation, revising school district policies, and designing and printing the forms."

*Parameters and Guidelines*, Section V.B.2., states that the claimant shall be reimbursed for "Identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians. . . ."

*Parameters and Guidelines*, Section V.C., states, "The uniform cost allowance is based on the number of initial notifications of truancy distributed pursuant to *Education Code* Section 48260.5, Chapter 498, Statutes of 1983. For fiscal year 1992-93, the uniform cost allowance is \$10.21 per initial notification of truancy distributed. The cost allowance shall be adjusted each subsequent year by the Implicit Price Deflator."

*Parameters and Guidelines*, Section VII., states, "For audit purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller. . . ."

#### Recommendation

The district should develop and implement an adequate accounting and reporting system to ensure that initial truancy notifications claimed are supported and contain all required elements. Although *Parameters and Guidelines* allows the district to be reimbursed for notification forms containing only five specified elements, the district should comply with *Education Code* Section 48260.5, which requires the form to contain eight specified elements.

The district's planned notification procedure relating to the use of a Z-Copy letter appears to sufficient to meet the documentation requirements. However, the district must be able to support that the letter contains all required elements and is distributed upon the pupil's initial truancy in a timely manner.

#### Auditee's Response

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail *or other means*. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

The auditors are incorrect in saying the district was unable to provide documentation supporting any of the claimed initial truancy notifications. There were letters to review in the one truancy center.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

### SCO's Comments

The finding and recommendation remain unchanged.

The district did not provide any additional documentation to support the unallowable costs. The following SCO comments are presented in the order presented in the district's response.

The SCO did not limit the notification method to first class mail. Instead, the SCO allowed notification forms (letters) distributed by other reasonable means, such as overnight mail, certified mail, etc. *Parameters and Guidelines*, Sections V.A., V.B.1., and V.B.2, allows a district to be reimbursed a specific amount for every initial truancy notification form



(letter) distributed to a pupil's parent or guardian that contains five specified elements identified in *Parameters and Guidelines*.

Telephone calls and home visits are not reimbursable. Nevertheless, the SCO auditors reviewed the records made available to them to gain an understanding of the district's process of notifying a pupil's parent or guardian of the five required elements. The review of these records did not support that the required elements were discussed with a pupil's parent or guardian.

There were three truancy centers during the audit period. However, these centers had been closed and the attendance information and student documents for all three centers were consolidated at the district's Student Attendance Review Board (SARB) location. We reviewed documents retained at the SARB location. The documents did not support that notifications were issued for a pupil's initial truancy. In addition, the district's coordinator and its consultant advised us that the district does not have documentation to substantiate any of the claimed number of initial truancy notifications distributed to the pupil's parent or guardian.

As previously discussed, documents made available by the district did not support that initial truancy letters were distributed to a pupil's parent or guardian. In addition, the number of truantries claimed during the audit period was not substantiated by the district's records. The district was unable to reconcile the claimed truantries to the individual pupils who were identified as truant on its Attendance Accounting System. The conclusion reached in the finding is based on a review of all information made available by the district.


**Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2000**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>			
Number of notifications	18,974	—	(18,974)
Uniform cost allowance	\$ 11.70	\$ 11.70	\$ 11.70
Total costs	<u>\$ 221,996</u>	—	<u>\$(221,996)</u>
Less amount paid by the State		<u>(221,996)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (221,996)</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Number of notifications	7,425	—	(7,425)
Uniform cost allowance	\$ 12.23	\$ 12.23	\$ 12.23
Total costs	<u>\$ 90,808</u>	—	<u>\$ (90,808)</u>
Less amount paid by the State		<u>(90,808)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (90,808)</u>	
<u>Summary: July 1, 1998, through June 30, 2000</u>			
Total costs	<u>\$ 312,804</u>	\$ —	<u>\$(312,804)</u>
Less amount paid by the State		<u>(312,804)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (312,804)</u>	

<sup>1</sup> See the Finding and Recommendation section.

**Attachment—  
Auditee’s Response to  
Draft Audit Report**

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OAKLAND UNIFIED SCHOOL DISTRICT  
1025 SECOND AVENUE, OAKLAND, CALIFORNIA 94606

June 20, 2003

Jim L. Spano, Chief  
Compliance Audit Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

Re: Response to Draft Audit Report (Notification of Truancy Program FY 1998-2000)

Dear Mr. Spano:

We have received the draft report of your audit on claims filed by the Oakland Unified School District (District) relating to the mandated Notification of Truancy Program (NOT) for the period of July 1, 1998 through June 30, 2000.

The district claimed \$312,804 for the mandate program. The audit disclosed that none of the claimed costs were allowable. The SCO stated in the report that the unallowable costs occurred primarily because the district was not able to support the claimed number of notification of truancy forms distributed to a pupil's parent or guardian. This disallowance is based on one audit finding.

**Finding 1** – Unsupported initial truancy notification forms for a total cost of \$312,804.

There are major differences between the SCO and the District with regards to the method of notifying the pupil's parent or guardian and the required elements involved with this notification. We believe the District is in compliance with this mandate based on the parameter and guidelines.

The SCO limits the notification method to first-class mail, only. This means that unless there is a letter to review, the SCO believes they cannot verify and count the notification. The District believes it is unrealistic to maintain every letter sent by mail with a district the size of Oakland. In addition, what proof is there that the letter was mailed, faxed, read over the phone or hand delivered. The parameters and guidelines indicate first class mail *or other means*. This opens up the interpretation to mean other methods of notifying parents or guardian of the initial truancy notification such as by phone or home visit.

In addition, the parameters and guidelines indicate that under Supporting Data (Section VII, A) that the documentation for the uniform allowance reimbursement is the total number of initial notifications of truancy distributed. Of the three truancy centers in operation at the time these letters were prepared, it was determined that two truancy centers information was not available. However, one truancy center was available for review.

The auditors are incorrect in saying the district was unable to provide documentation supporting any of the claimed initial truancy notifications. There were letters to review in the one truancy center.

The minimal letters reviewed are not a representative sample to determine if the letters met all the elements identified in the parameter and guidelines. It is unreasonable to make conclusions based on the limited information that was presented in this report.

The District does not believe that the information on the Notification of Truancy claims is incorrect.

We appreciate your giving us the opportunity to respond to this draft audit report. We are asking that you exercise caution, flexibility and reasonableness in assessing the situation, in light of the already bleak economy that the school district is facing.

Sincerely,



Sheri Gamba  
Fiscal Services Officer

Cc Anthony Bridges, FCMAT  
Gloria Gamblin, OUSD  
Chris Prasad, SCO  
John Conshafter, MCS education services

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

S03-MCC-021

# **OAKLAND UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 798, Statutes of 1983  
and Chapter 1023, Statutes of 1994

*July 1, 2002, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

October 2010



**JOHN CHIANG**  
**California State Controller**

October 25, 2010

Gary Yee, President  
Board of Education  
Oakland Unified School District  
1025 2<sup>nd</sup> Avenue  
Oakland, CA 94606-2212

Dear Mr. Yee:

The State Controller's Office audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 798, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2008.

The final report issued September 24, 2010, was not appropriately addressed to the Governing Board. This final report corrects the addressee of the final report.

The district claimed \$1,492,260 for the mandated program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$535,236. Allowable costs claimed exceed the amount paid by \$400,376.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk



cc: Anthony Smith, Ph.D., Superintendent  
Oakland Unified School District  
Vernon E. Hal, Chief Financial Officer  
Oakland Unified School District  
Jack O'Connell, Superintendent of Public Instructions  
California Department of Education  
Sheila Jordan, County Superintendent of Schools  
Alameda County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 798, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2008.

The district claimed \$1,492,260 for the mandated program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$535,236. Allowable costs claimed exceed the amount paid by \$400,376.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notified parents or guardian(s) of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2002, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Oakland Unified School District claimed \$1,492,260 for costs of the Notification of Truancy Program. Our audit disclosed that \$935,612 is allowable and \$556,648 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$45,250. Our audit disclosed that the entire amount is unallowable. The State will offset \$45,250 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$274,566. Our audit disclosed that \$175,135 is allowable and \$99,431 is unallowable. The State will offset \$99,431 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$153,810. Our audit disclosed that \$142,986 is allowable and \$10,824 is unallowable. The State will offset \$10,824 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$186,635 is allowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$61,603. Our audit disclosed that \$232,447 is allowable and \$93,137 is unallowable. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$7. Our audit disclosed that \$198,409 is allowable and \$149,731 is unallowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,402, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on March 26, 2010. Adrian V. Kirk, Director, Family and Community Office, responded by letter dated August 27, 2010, agreeing with the audit results.

**Restricted Use**

This report is solely for the information and use of the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

October 25, 2010

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference <sup>1</sup></u>
<u>July 1, 2002, through June 30, 2003</u>				
Number of truancy notifications	3,428	—	(3,428)	Finding 1
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total program costs	<u>\$ 45,250</u>	\$ —	<u>\$ (45,250)</u>	
Less amount paid by the State		(45,250)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (45,250)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of truancy notifications	20,100	12,821	(7,279)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs	<u>\$ 274,566</u>	\$ 175,135	<u>\$ (99,431)</u>	
Less amount paid by the State		(274,566)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (99,431)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	10,771	10,013	(758)	Findings 1, 2
Unit cost per initial notifications	× \$14.28	× \$14.28	× \$14.28	
Total program costs	<u>\$ 153,810</u>	\$ 142,986	<u>\$ (10,824)</u>	
Less amount paid by the State		(153,810)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,824)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	22,195	12,010	(10,185)	Findings 1, 2
Unit cost per initial notifications	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 344,910</u>	\$ 186,635	<u>\$ (158,275)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 186,635</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	20,160	14,393	(5,767)	Findings 1, 2
Unit cost per initial notifications	× \$16.15	× \$16.15	× \$16.15	
Total program costs	<u>\$ 325,584</u>	\$ 232,447	<u>\$ (93,137)</u>	
Less amount paid by the State		(61,603)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 170,844</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	20,147	11,482	(8,665)	Finding 2
Unit cost per initial notifications	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 348,140</u>	\$ 198,409	<u>\$ (149,731)</u>	
Less amount paid by the State		(7)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,402</u>		
<u>Summary: July 1, 2002, through June 30, 2008</u>				
Total program costs	<u>\$ 1,492,260</u>	\$ 935,612	<u>\$ (556,648)</u>	
Less amount paid by the State		(535,236)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 400,376</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Revised Findings and Recommendations

## **FINDING 1— Misstated number of initial truancy notifications claimed**

The district claimed costs totaling \$160,931 for initial truancy notification letters that were not supported by the district's attendance records for fiscal year (FY) 2002-03 through FY 2006-07. The district either overstated or understated the number during each fiscal year.

The following table summarizes the audit adjustment:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Total number of initial truancy notifications documented	—	24,676	20,840	22,194	20,154	
Less number of initial truancy notifications claimed	(3,428)	(20,100)	(10,771)	(22,195)	(20,160)	
Understated/(overstated) number of initial truancy notifications	(3,428)	4,576	10,069	(1)	(6)	11,210
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	× \$16.15	
Audit adjustment	\$ (45,250)	\$ 62,508	\$ 143,785	\$ (16)	\$ (96)	\$ 160,931

The program's parameters and guidelines require the district to provide documentation that supports the total number of initial notifications of truancy distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform costs allowance and the number of eligible truancy notifications documented.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

### District's Response

The district agreed with the finding.

## **FINDING 2— Non-reimbursable initial truancy notifications claimed**

The district overstated allowable initial truancy notifications by \$717,579 for FY 2003-04 through FY 2007-08. This amount is net of the adjustment identified in Finding 1 totaling \$160,931 in costs claimed that were not supported by the district's attendance records.

The district claimed initial truancy notifications it distributed for students who had not accumulated the required number of unexcused absences or instances of tardiness to be classified as truant under the mandated program. In addition, some of the students claimed by the district were either under age six or over age 18.

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. However, Education Code section 48000 states, "A child shall be admitted to a



kindergarten at the beginning of a school year, or any later time in the same year if the child will have his or her fifth birthday on or before December 2 of that school year.” In addition, Education Code section 48010 states, “A child shall be admitted to the first grade of an elementary school during the first month of a school year if the child will have his or her sixth birthday on or before December 2 of that school year.” Therefore, kindergarten and 1<sup>st</sup> grade students are not subject to compulsory attendance requirements during some or all of their school year. In addition, 12<sup>th</sup> 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 6<sup>th</sup> birthday or after their 18<sup>th</sup> birthday, those instances are not reimbursable.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. Some of these students accumulated fewer than three unexcused absences or tardiness occurrences. In addition, there were some students that were either under age six or over age 18.

For FY 2003-04, the district claimed unallowable initial truancy notifications for 82 elementary students; of this total, 79 students had fewer than four unexcused absences or tardiness occurrences and three students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 65 secondary students; of this total, 57 students had fewer than four unexcused absences or tardiness occurrences and eight students were over age 18.

For FY 2004-05, the district claimed unallowable initial truancy notifications for 73 elementary students who received fewer than four unexcused absences or tardiness occurrences during the fiscal year. In addition, the district claimed unallowable initial truancy notifications for 79 secondary students; of this total, 74 had fewer than four unexcused absences or tardiness occurrences and five students were over age 18.

For FY 2005-06, the district claimed unallowable initial truancy notifications for 72 elementary students; of this total, 47 students had fewer than four unexcused absences or tardiness occurrences and 25 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 65 secondary students; of this total, 57 students had fewer than four unexcused absences or tardiness occurrences and eight students were over age 18.

For FY 2006-07, the district claimed unallowable initial truancy notifications for 58 elementary students; of this total, 40 students had fewer than four unexcused absences or tardiness occurrences and 18 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 32 secondary students; of this total, 27 students had fewer than four unexcused absences or tardiness occurrences and five students were over age 18.

For FY 2007-08, the district claimed unallowable initial truancy notifications for 66 elementary students; of this total, 46 students had fewer than four unexcused absences or tardiness occurrences and 20 students were under the age of six. In addition, the district claimed unallowable initial truancy notifications for 62 secondary students; of this total, 49 students had fewer than four unexcused absences or tardiness occurrences and 13 students were over age 18.

The following table summarizes the number of unallowable initial truancy notifications claimed:

	Fiscal Year					Total
	2003-04	2004-05	2005-06	2006-07	2007-08	
Elementary schools:						
Number of unallowable initial truancy notifications	(82)	(73)	(72)	(58)	(66)	
Statistical sample size	÷ 148	÷ 147	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(55.41)%	(49.66)%	(48.98)%	(39.46)%	(44.90)%	
Number of initial truancy notifications documented	× 9,258	× 7,973	× 8,623	× 7,866	× 7,508	
Total number of unallowable initial truancy notifications	(5,130)	(3,959)	(4,224)	(3,104)	(3,371)	
Uniform cost allowance	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Total, elementary schools	\$ (70,076)	\$ (56,534)	\$ (65,641)	\$ (50,130)	\$ (58,251)	\$ (300,632)
Secondary schools:						
Number of unallowable initial truancy notifications	(65)	(79)	(65)	(32)	(62)	
Statistical sample size	÷ 149	÷ 148	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(43.62)%	(53.38)%	(43.92)%	(21.62)%	(41.89)%	
Number of initial truancy notifications documented	× 15,418	× 12,867	× 13,571	× 12,288	× 12,639	
Total number of unallowable initial truancy notifications	(6,725)	(6,868)	(5,960)	(2,657)	(5,294)	
Uniform cost allowance	× \$13.66	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Total, secondary schools	\$ (91,863)	\$ (98,075)	\$ (92,618)	\$ (42,911)	\$ (91,480)	(416,947)
Audit adjustment	\$ (161,939)	\$ (154,609)	\$ (158,259)	\$ (93,041)	\$ (149,731)	\$ (717,579)

Education Code section 48260, subdivision (a), (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission of State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2003-04 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absence from school without a valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) – minute period during the school day on three (3) occasions in one school year, or any combinations thereof.

#### Recommendation

We recommend that the district claim initial truancy notification costs only for those students between age 6 and age 18 who accumulate three or more unexcused absences or tardiness occurrences, in accordance with Education Code sections 48200 and 48260, subdivision (a).

#### District's Response

The district agreed with the finding.

**Attachment—  
District’s Response to  
Draft Audit Report**

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OAKLAND UNIFIED  
SCHOOL DISTRICT

expect Success

every student. every classroom. every day.

**FAMILY & COMMUNITY OFFICE**

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August 27, 2010

Mr. James Spano  
Bureau Chief  
Mandated Cost Audits Bureau  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Mr. Spano:

The following is the OUSD response to the Audit Report on the OUSD Notification of Truancy Program for the period 7/1/2002 through 6/30/2008. We accept the objectives, scope, methodology and findings of this audit. Further we appreciate the guidance afforded us in the process such that we will be able to avoid errors in the future.

We recognize that our primary problem areas were 1) our inability to provide adequate evidence of the notification of truancy matched against the attendance history of students; and 2) sending notifications of truancy to students ineligible for any reimbursement from the state. OUSD has already taken steps to remediate these areas of problem.

Please let us know if you require any further information or documentation from OUSD.

Regards,

Adrian V. Kirk  
Director, Family & Community Office

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **OAKLAND UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2008, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

January 2014



**JOHN CHIANG**  
**California State Controller**

January 28, 2014

David Kakishiba, President  
Governing Board  
Oakland Unified School District  
1000 Broadway, Suite 680  
Oakland, CA 94607

Dear Mr. Kakishiba:

The State Controller's Office audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$948,574 for the mandated program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Gary Yee, Ed.D., Superintendent  
Oakland Unified School District  
Vernon Hal, Deputy Superintendent  
Oakland Unified School District  
Curtiss Sarikey, Associate Superintendent  
Oakland Unified School District  
Theresa Clincy, Coordinator  
Attendance and Discipline Support Services  
Oakland Unified School District



Dina Stewart, Director, District Business Services  
Alameda County Office of Education

Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education

Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education

Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance

Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Oakland Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$948,574 for the mandated program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Oakland Unified School District claimed \$948,574 for costs of the Notification of Truancy Program. Our audit found that \$884,392 is allowable and \$64,182 is unallowable. The State paid the district \$141,114. The State will pay allowable costs claimed that exceed the amount paid, totaling \$743,278, contingent upon available appropriations.

## **Views of Responsible Officials**

We issued a draft audit report on December 3, 2013. We contacted Theresa Clincy, Coordinator, Attendance and Discipline Support Services, by e-mail on December 11 and December 19, 2013, and advised the district that the response to the draft audit report's findings was due December 19, 2013. We also left a telephone message with Ms. Clincy on January 10, 2014, asking if the district plans to provide a response to the draft report. The district did not respond to the emails or telephone message.

**Restricted Use**

This report is solely for the information and use of the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

January 28, 2014

**Schedule 1—  
Summary of Program Costs  
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	\$ 17,968	\$ 16,543	\$ (1,425)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs <sup>2</sup>	<u>\$ 318,752</u>	293,473	<u>\$ (25,279)</u>	
Less amount paid by the State		(72,224)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 221,249</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	\$ 19,627	\$ 18,102	\$ (1,525)	Findings 1, 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs <sup>2</sup>	<u>\$ 350,735</u>	323,483	<u>\$ (27,252)</u>	
Less amount paid by the State		(68,890)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 254,593</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	\$ 15,259	\$ 14,622	\$ (637)	Findings 1, 2
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29	
Total program costs <sup>2</sup>	<u>\$ 279,087</u>	267,436	<u>\$ (11,651)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 267,436</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 948,574</u>	\$ 884,392	<u>\$ (64,182)</u>	
Less amount paid by the State		(141,114)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 743,278</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

## **FINDING 1— Unsupported and unallowable initial truancy notifications claimed**

The district claimed unsupported and unallowable initial truancy notifications during the audit period. The unallowable costs total \$5,264. The costs are unallowable for the following reasons:

- For each fiscal year, the district provided a list of students for whom the district distributed initial truancy notifications. The number of notifications documented did not support the number of initial truancy notifications claimed.
- The documented initial truancy notifications included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	17,966	19,625	15,226	
Less number of initial truancy notifications claimed	(17,968)	(19,627)	(15,259)	
Overstated number of initial truancy notifications	(2)	(2)	(33)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Unallowable costs (A)	\$ (35)	\$ (36)	\$ (603)	\$ (674)
Number of initial truancy notifications distributed for independent study students	(65)	(91)	(99)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Unallowable costs (B)	\$ (1,153)	\$ (1,626)	\$ (1,811)	(4,590)
Audit adjustment ((A) + (B))	\$ (1,188)	\$ (1,662)	\$ (2,414)	\$ (5,264)

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

### Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. We also recommend that the district exclude notifications distributed for independent study students from the total number of notifications claimed for mandated program reimbursement.

### SCO Comments

The district did not provide a response to this finding.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$58,918. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded independent study students identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2008-09	2009-10	2010-11
Total notifications sampled, daily attendance accounting	<u>6,541</u>	<u>8,250</u>	<u>5,198</u>
Period attendance accounting:			
Documented notifications	11,425	11,375	10,028
Less number of notifications distributed for independent study students (Finding 1)	<u>(65)</u>	<u>(91)</u>	<u>(99)</u>
Total notifications sampled, period attendance accounting	<u>11,360</u>	<u>11,284</u>	<u>9,929</u>

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

For period attendance accounting students, the district’s truancy policy was inconsistent with Education Code sections 48260, subdivision (a), and 48260.5. The district’s policy was to classify a period attendance accounting student as truant only when the student accumulated three days during which the student’s absence was unexcused for the full day or at least 50% of the periods within the student’s daily schedule. The district’s attendance records identified some instances where the district distributed initial truancy notifications for students who had not accumulated the number of unexcused absences required under the district’s policy. However, we allowed initial truancy notifications for those students whose attendance records documented that the student accumulated three unexcused absences or tardiness occurrences while between the ages of 6 and 18.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.



The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2008-09	2009-10	2010-11
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(13)	(15)	(1)
Fewer than three total	<u>(2)</u>	<u>(1)</u>	<u>-</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(15)</u>	<u>(16)</u>	<u>(1)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	(9)	(7)	(7)
Fewer than three total	<u>-</u>	<u>-</u>	<u>-</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(9)</u>	<u>(7)</u>	<u>(7)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(15)	(16)	(1)	
Statistical sample size	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(10.20)%	(10.88)%	(0.68)%	
Population sampled	× 6,541	× 8,250	× 5,198	
Extrapolated number of unallowable initial truancy notifications	(667)	(898)	(35)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment, daily attendance accounting (C) <sup>1</sup>	<u>\$ (11,833)</u>	<u>\$ (16,047)</u>	<u>\$ (640)</u>	\$ (28,520)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(9)	(7)	(7)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable Percentage	(6.08)%	(4.73)%	(4.73)%	
Population sampled	× 11,360	× 11,284	× 9,929	
Extrapolated number of unallowable initial truancy notifications	(691)	(534)	(470)	
Uniform cost allowance	× \$17.74	× \$17.87	× \$18.29	
Audit adjustment, period attendance accounting (D) <sup>1</sup>	<u>\$ (12,258)</u>	<u>\$ (9,543)</u>	<u>\$ (8,597)</u>	<u>(30,398)</u>
Total audit adjustment ((C) + (D))	<u>\$ (24,091)</u>	<u>\$ (25,590)</u>	<u>\$ (9,237)</u>	<u>\$ (58,918)</u>

<sup>1</sup> Calculation differences due to rounding.

Education Code section 48260, subdivision (a), states:

*Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

We recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines. We also recommend that the district revise its truancy policy to classify period attendance accounting students as truant, and issue the required initial truancy notifications, consistent with Education Code sections 48260, subdivision (a), and 48260.5.

In addition, we recommend that the California Department of Education follow up to ensure that the district complies with Education Code sections 48260, subdivision (a), and 48260.5.

#### SCO Comments

The district did not provide a response to this finding.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# ONTARIO-MONTCLAIR SCHOOL DISTRICT

Audit Report

## NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983

*July 1, 2001, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

February 2007



**JOHN CHIANG**  
**California State Controller**

February 14, 2007

Sharon P. McGehee, Ph.D., Superintendent  
Ontario-Montclair School District  
950 West D Street  
Ontario, CA 91762

Dear Dr. McGehee:

The State Controller's Office audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$348,851 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported initial truancy notification costs. The district should return the total amount to the State.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Danielle Calise, Assistant Superintendent, Business Services  
Ontario-Montclair School District  
Elizabeth McNevin, Accountant  
Ontario-Montclair School District  
Herbert R. Fischer, Ph.D., County Superintendent of Schools  
San Bernardino County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Ontario-Montclair School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 18, 2006.

The district claimed and was paid \$348,851 for the mandated program. Our audit disclosed that the entire amount is unallowable because the district claimed unsupported initial truancy notification costs. The district should return the total amount to the State.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

*Education Code* Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, as *Parameters and Guidelines* has not been amended, for mandate-reimbursement purposes, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.



*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Ontario-Montclair School District claimed and was paid \$348,851 for costs of the Notification of Truancy Program. Our audit disclosed that the entire amount is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the district \$120,812. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$120,812 to the State.

For the FY 2002-03 claim, the State paid the district \$97,627. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$97,627 to the State.

For the FY 2003-04 claim, the State paid the district \$130,412. Our audit disclosed that all of the costs claimed are unallowable. The district should return \$130,412 to the State.

**Views of  
Responsible  
Official**

We issued a draft audit report on December 6, 2006. We contacted Elizabeth McNevin, Accountant, by telephone on January 18, 2007. Ms. McNevin declined to respond to the draft report.

**Restricted Use**

This report is solely for the information and use of the Ontario-Montclair School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment <sup>1</sup></u>
<u>July 1, 2001, through June 30, 2002</u>			
Number of truancy notifications	9,358	—	(9,358)
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91
Total program costs	<u>\$ 120,812</u>	—	<u>\$ (120,812)</u>
Less amount paid by the State		(120,812)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (120,812)</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Number of truancy notifications	7,396	—	(7,396)
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20
Total program costs	<u>\$ 97,627</u>	—	<u>\$ (97,627)</u>
Less amount paid by the State		(97,627)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (97,627)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Number of truancy notifications	9,547	—	(9,547)
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66
Total program costs	<u>\$ 130,412</u>	—	<u>\$ (130,412)</u>
Less amount paid by the State		(130,412)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (130,412)</u>	
<u>Summary: July 1, 2001, through June 30, 2004</u>			
Total program costs	<u>\$ 348,851</u>	\$ —	<u>\$ 348,851</u>
Less amount paid by the State		(348,851)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (348,851)</u>	

<sup>1</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Unallowable initial  
truancy notification  
costs claimed**

During the audit period, the district claimed unallowable costs totaling \$348,851 for 26,301 initial truancy notifications. The costs are unallowable for one or more of the following reasons.

- The district did not provide documentation showing that it distributed initial truancy notification letters.
- The district distributed truancy notification letters that did not contain the elements required by *Parameters and Guidelines*.
- The district claimed initial truancy notification costs for students who did not have the required number of unexcused absences or tardies.
- In counting unexcused absences, the district included days on which students were suspended or assigned to independent study.

The district provided attendance exception reports to support the number of notifications claimed. The district’s attendance exception reports indicate that the district underclaimed total notifications by 61 for the audit period. From the total population identified, we selected statistical samples based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. For each fiscal year, we stratified the sample between elementary school and middle school students because districts account for attendance differently between these school levels. The following table shows the population and sample sizes.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Population:				
Elementary schools	7,151	5,485	7,597	20,233
Middle schools	2,213	1,908	2,008	6,129
Total	<u>9,364</u>	<u>7,393</u>	<u>9,605</u>	<u>26,362</u>
Sample size:				
Elementary schools	147	146	147	440
Middle schools	141	139	140	420
Total	<u>288</u>	<u>285</u>	<u>287</u>	<u>860</u>

For the audit period, our review disclosed the following information.

- The district provided documentation of initial truancy notification letters for only 42 elementary school students. The district did not provide any documentation for middle school students. School personnel stated that the missing notifications were either not maintained or never prepared. In addition, the district did not have standardized policies and procedures for reporting the initial truancy notification.

For some district school sites, attendance clerks and administrators described the schools’ attendance process, which might include telephone calls or home visits. Some school sites provided telephone logs for review. Although notifying parents or guardians by telephone

call is not a reimbursable activity, we reviewed the telephone logs and attendance records to gain an understanding of each school site's process by which it notifies a student's parent or guardian of the five elements required by the mandated program. These records did not support that school officials discussed the required elements with the students' parents or guardians. Furthermore, *Parameters and Guidelines* requires the district to document the five elements on a form that is distributed to truant student's parent or guardian.

- The district provided documentation for 42 truancy notification letters. These letters did not include the elements required by *Parameters and Guidelines*. The individual schools, the district's School Attendance Review Team, or the district's School Attendance Review Board issued these letters. The district did not develop a uniform letter for use by all schools. Some school sites provided a sample of their current truancy notification letter. The current letters also did not include the required elements.
- Attendance records showed that 50 elementary school students and 49 middle school students did not have four or more unexcused absences. Initial truancy notification letters are not allowable for these students.
- For seven students, attendance records showed that the district included as unexcused absences days on which students participated in independent study. For 83 students, attendance records showed that the district included as unexcused absences days that students were suspended. However, school suspensions and participation in independent study are not trancies as defined by the *Education Code*.

*Parameters and Guidelines* requires districts, upon a student's initial classification as a truant, to notify the student's parent or guardian by first-class mail or other reasonable means of (1) the student's truancy; (2) that the parent or guardian is obligated to compel the attendance of the student at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution. Districts must also inform parents and guardians of (1) alternative educational programs available in the district; and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1984, amended *Education Code* Section 48260.5, by requiring districts to notify parents or guardians of three additional elements. However, since *Parameters and Guidelines* has not been amended, districts may be reimbursed under the mandated program if they comply with the five elements specified in *Parameters and Guidelines*.

*Parameters and Guidelines* states, "A truancy occurs when a student is absent from school without valid excuse more than three (3) days or is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year." Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one

school year, or any combination thereof. However, as *Parameters and Guidelines* has not been amended, for mandate-reimbursement purposes, a pupil is initially classified as truant upon the fourth unexcused absence.

In specifying reimbursable costs, *Parameters and Guidelines* states that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. *Parameters and Guidelines* also states that districts must provide documentation in support of the reimbursement claimed.

The following table summarizes the audit adjustment.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Unallowable truancy notifications claimed	(9,358)	(7,396)	(9,547)	\$ (26,301)
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (120,812)</u>	<u>\$ (97,627)</u>	<u>\$ (130,412)</u>	<u>\$ (348,851)</u>

#### Recommendation

We recommend that the district distribute initial truancy notifications that comply with *Education Code* Section 48260.5, and that it maintain documentation supporting notifications distributed. We also recommend that the district classify pupils as truant according to *Education Code* Section 48260(a). However, for mandate-reimbursement purposes, we recommend that the district claim only those pupils who meet the truancy definition provided in *Parameters and Guidelines*.

Subsequent to our audit fieldwork, the district submitted a proposed truancy notification letter for our review. The sample letter provided meets *Parameters and Guidelines* and *Education Code* requirements.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

# **RIVERSIDE UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983;  
Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995;  
and Chapter 69, Statutes of 2007

*July 1, 2007, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

February 2013





**JOHN CHIANG**  
**California State Controller**

February 22, 2013

Gayle Cloud, President  
Board of Education  
Riverside Unified School District  
3380 14<sup>th</sup> Street  
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$684,558 is allowable and \$111,552 is unallowable. The costs are unallowable because the district claimed unsupported, unallowable, and non-reimbursable initial truancy notifications. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCFORM.pdf](http://www.csm.ca.gov/docs/IRCFORM.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/vb

cc: Richard L. Miller, Ph.D., Superintendent  
Riverside Unified School District  
Michael H. Fine, Deputy Superintendent  
Business Services and Governmental Relations  
Riverside Unified School District  
Timothy Walker, Executive Director of Pupil Services/SELPA  
Riverside Unified School District  
Annette Alvarez, Fiscal Services Manager  
Riverside Unified School District  
Gerald P. Colapinto, President, Board of Education  
Riverside County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2007, through June 30, 2010.

The district claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for the mandated program. Our audit found that \$684,558 is allowable and \$111,552 is unallowable. The costs are unallowable because the district claimed unsupported, unallowable, and non-reimbursable initial truancy notifications. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2007, through June 30, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Riverside Unified School District claimed \$796,110 (\$806,110 less a \$10,000 penalty for filing a late claim) for costs of the Notification of Truancy Program. Our audit disclosed that \$684,558 is allowable and \$111,552 is unallowable. The State paid the district \$110,231. The State will pay allowable costs claimed that exceed the amount paid, totaling \$574,327, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on December 19, 2012. Michael H. Fine, Deputy Superintendent, Business Services and Governmental Relations, responded by letter dated January 18, 2013 (Attachment). The district disagreed with Findings 1 and 2, but did not dispute Finding 3. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Riverside Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

February 22, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2010**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference<sup>1</sup></u>
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	16,718	14,426	(2,292)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	\$ 288,887	\$ 249,280	\$ (39,607)	
Noncompliant initial truancy notifications	—	(31,160)	(31,160)	Finding 3
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs <sup>2</sup>	<u>\$ 278,887</u>	208,120	<u>\$ (70,767)</u>	
Less amount paid by the State		(8)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 208,112</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	16,130	14,243	(1,887)	Findings 1, 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Total program costs <sup>2</sup>	<u>\$ 286,146</u>	\$ 252,670	<u>\$ (33,476)</u>	
Less amount paid by the State		(64,836)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 187,834</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	12,931	12,522	(409)	Findings 1, 2
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87	
Total program costs <sup>2</sup>	<u>\$ 231,077</u>	\$ 223,768	<u>\$ (7,309)</u>	
Less amount paid by the State		(45,387)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 178,381</u>		
<u>Summary: July 1, 2007, through June 30, 2010</u>				
Total costs	\$ 806,110	\$ 694,558	\$ (111,552)	
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs	<u>\$ 796,110</u>	684,558	<u>\$ (111,552)</u>	
Less amount paid by the state		(110,231)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 574,327</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

## **FINDING 1— Overstated, understated, and unallowable initial truancy notifications**

For each fiscal year, the district either overstated or understated the total number of initial truancy notifications distributed. The district also claimed costs for unallowable initial truancy notifications. For the audit period, the district claimed unallowable costs totaling \$11,982. The costs were unallowable for the following reasons:

- The district's records show that the district overstated the total number of initial truancy notifications claimed for fiscal year (FY) 2007-08 and FY 2008-09, and understated the total number of notifications claimed for FY 2009-10.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The district claimed initial truancy notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness and period or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Number of notifications documented—daily attendance accounting	6,724	6,996	5,995	
Number of notifications documented—period attendance accounting	9,645	9,039	6,963	
Total number of notifications documented	16,369	16,035	12,958	
Less number of notifications claimed	(16,718)	(16,130)	(12,931)	
(Overstated)/understated number of notifications	(349)	(95)	27	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (6,031)	\$ (1,685)	\$ 482	\$ (7,234)
Number of notifications distributed for charter school students	(6)	(1)	(4)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (104)	\$ (18)	\$ (71)	(193)
Number of notifications distributed for independent study students	(143)	(55)	(62)	
Uniform cost allowance	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment	\$ (2,471)	\$ (976)	\$ (1,108)	(4,555)
Total audit adjustment	\$ (8,606)	\$ (2,679)	\$ (697)	\$ (11,982)



The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

#### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any notifications that it distributes for charter school and independent study students.

#### District's Response

The district did not dispute the overstated and understated total number of initial truancy notifications distributed. The district agreed with the audit adjustment for charter school students. The district disagreed with the audit adjustment related to independent study students. The district provided the following response:

The draft audit report does not state a legal basis to exclude independent study students from the attendance accounting system required by Title 5 or the mandated initial notice of truancy mandated by the California Education Code. The nature of the independent study course delivery and student evaluation does not exclude those students from the attendance accounting system absent some legal reason which has not be [sic] cited by the draft audit report.

#### SCO's Comment

The finding and recommendation are unchanged. The district disputed only the audit adjustment related to independent study students.

Education Code section 51747, subdivision (c)(7), specifies that independent study is an optional educational alternative to the student; no student may be required to participate. Education Code section 51747, subdivisions (a), (b), and (c), specify that districts evaluate an independent study student's satisfactory progress by establishing a maximum length of time that may elapse between the time an assignment is made and the date by which the student must complete the assigned work. Districts also determine the number of missed assignments that will be allowed before an evaluation is conducted to determine whether

the student should return to the regular school program. Thus, students are not held accountable to specific daily or period attendance and cannot be evaluated within the parameters of Education Code section 48260, subdivision (a).

The California Department of Education's School Attendance Review Board Handbook addresses the evaluation of independent study students' progress. It states in part:

However, many pupils do not meet the requirements of their written independent study agreements or do not show up for their independent study meetings. When pupils do not make progress in independent study or do not show up for their independent study meetings with teachers, they should be referred back for regular classroom instruction. If the pupils remain absent after being enrolled in the regular school classroom, further intervention activities at the school [i.e. compliance with Education Code section 48260, subdivision (a)] should begin immediately.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$68,410. The district claimed notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded charter school and independent study students identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2007-08	2008-09	2009-10
Total notifications sampled, daily attendance accounting	<u>6,724</u>	<u>6,996</u>	<u>5,995</u>
Period attendance accounting:			
Documented notifications	9,645	9,039	6,963
Less number of notifications distributed for charter school students (Finding 1)	(6)	(1)	(4)
Less number of notifications distributed for independent study students (Finding 1)	<u>(143)</u>	<u>(55)</u>	<u>(62)</u>
Total notifications sampled, period attendance accounting	<u>9,496</u>	<u>8,983</u>	<u>6,897</u>

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2007-08	2008-09	2009-10
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Fewer than three while between ages 6 and 18	(22)	(20)	(8)
Fewer than three total	<u>(6)</u>	<u>(5)</u>	<u>(1)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(28)</u>	<u>(25)</u>	<u>(9)</u>
Period attendance accounting:			
Fewer than three while between ages 6 and 18	<u>8</u>	<u>9</u>	<u>—</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(28)	(25)	(9)	
Statistical sample size	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(19.05)%	(17.01)%	(6.16)%	
Population sampled	× 6,724	× 6,996	× 5,995	
Extrapolated number of unallowable initial truancy notifications	(1,281)	(1,190)	(370)	
Uniform cost allowable	× \$17.28	× \$17.74	× \$17.87	
Audit adjustment, daily attendance accounting <sup>1</sup>	<u>\$ (22,136)</u>	<u>\$ (21,111)</u>	<u>\$ (6,612)</u>	<u>\$ (49,859)</u>

	Fiscal Year			Total
	2007-08	2008-09	2009-10	
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(8)	(9)		
Statistical sample size	÷ 148	÷ 148		
Unallowable percentage	(5.41)%	(6.08)%		
Population sampled	× 9,496	× 8,983		
Extrapolated number of unallowable initial truancy notifications	(513)	(546)		
Uniform cost allowable	× \$17.28	× \$17.74		
Audit adjustment, period attendance accounting <sup>1</sup>	\$ (8,865)	\$ (9,686)	—	(18,551)
Total audit adjustment	\$ (31,001)	\$ (30,797)	\$ (6,612)	\$ (68,410)

<sup>1</sup> Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994, states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before a student's 6<sup>th</sup> birthday or after a student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### District's Response

The district did not dispute the audit adjustment related to students who accumulated fewer than three total unexcused absences or tardiness occurrences during the school year. The district disagreed with the use of statistical sampling and the exclusion of unexcused absences that did not occur between students' 6<sup>th</sup> and 18<sup>th</sup> birthdays. The district's response is as follows:

This finding is based on statistical sampling. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (California Government Code Section 17561(d) (2)). It would, therefore, appear that the findings are based upon the wrong standard for review.

Statistical sampling was used for the two previous Controller audits of this mandate program at this District. . . . The District's objections to the statistical sampling were stated in its two incorrect reduction claims and those objections apply to this third audit. . . .

A total of 67 (50+17) of the notices sampled were disallowed because of the student's age at the time of the unexcused absences. That is, the student was younger than 6 years and [*sic*] older than 17 years at the time some or all of the absences were accrued which is outside the compulsory attendance law (California Education Code Section 48200). However, the District has statutory duties to enroll some children who are five-years old at the beginning of the school year and 18 years old at the end of the school year, as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. The adjustments that result from the statistical sampling should be withdrawn as unrepresentative and unsupported by law. . . .

### SCO's Comment

The finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states, "The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard. . . ." We disagree on two points.

We do assert that the claimed costs were excessive. Excessive is defined as "Exceeding what is usual, *proper* [emphasis added], necessary, or normal." <sup>1</sup> The district filed claims that were improper because the district claimed costs that are not reimbursable under the mandated program.

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<sup>1</sup> Merriam-Webster's Collegiate Dictionary, Tenth Edition © 2001.

Further, Government Code section 17561, subdivision (d)(2)(B) is not the only applicable audit standard. Government Code section 17561, subdivision (d)(2)(A)(i) states that the SCO may audit the records of any school district “to verify the actual amount of the mandated costs.”

Finally, Government Code section 12410 states, “The Controller shall audit *all claims* [emphasis added] against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

The district states that we cited no statutory or regulatory authority to “reduce claimed reimbursement based on an extrapolation of a statistical sample.” As the district previously indicated, Government Code section 17561, subdivision (d)(2) allows the SCO to reduce any claim that it determines is excessive or unreasonable. We properly used statistical sampling in our audit to reach such a determination.

We conducted our audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03, states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence. *Government Auditing Standards*, section 7.55, states, “Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.” Section 7.56 states, “Appropriateness is the measure of the quality of evidence. . . .” In further discussing appropriateness, section 7.63 states, “When a representative sample is needed, the use of statistical sampling approaches generally result in stronger evidence. . . .” Thus, statistical sampling provides appropriate evidence to determine whether the district’s claims are excessive or unreasonable.

Regarding unexcused absences or tardiness occurrences that did not occur between students’ 6<sup>th</sup> and 18<sup>th</sup> birthdays, the district states that it has “statutory duties” to enroll some students before age 6 or after age 18. The district confuses students’ statutory *requirement* to attend school between ages 6 and 18 with students’ *entitlement* to attend outside of that age range. Education Code section 48260, subdivision (a), states:

A pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than a 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, shall be classified as a truant. . . .

Education Code section 48200 states:

Each person *between the ages of 6 and 18 years* [emphasis added] not exempted . . . is subject to compulsory full-time education.

While the district is obligated to enroll the student before age 6 or after age 18, the student is not obligated to attend. Therefore, student absences that occur before a student's 6<sup>th</sup> birthday or after a student's 18<sup>th</sup> birthday are irrelevant in determining whether a student is truant.

**FINDING 3—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$31,160 for FY 2007-08. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notifications that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet the obligation specified in item 2 may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item identified above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2007-08
Number of notifications documented	16,369
Less charter school students (Finding 1)	(6)
Less independent study students (Finding 1)	(143)
Less nonreimbursable notifications, daily attendance accounting (Finding 2)	(1,281)
Less nonreimbursable notifications, period attendance accounting (Finding 2)	(513)
Allowable initial truancy notifications	14,426
Uniform cost allowance	× \$17.28
Subtotal <sup>1</sup>	\$ 249,280
Unallowable percentage	× (12.5)%
Audit adjustment	<u>\$ (31,160)</u>

<sup>1</sup> Calculation difference due to rounding.

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.

District’s Response

The district stated that it does not dispute the audit finding at this time.

The district’s response included a public records request. The district’s response and SCO’s comment are as follows:

District’s Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller’s legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO’s Comment

The SCO will respond to the district’s request separate from this report.

**OTHER ISSUE—  
Public records  
request**



**Attachment—  
District’s Response to  
Draft Audit Report**

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BOARD OF EDUCATION  
 Mrs. Gayle Cloud  
 President  
 Charles L. Beaty Ph.D.  
 Vice President  
 Mrs. Kathy Y. Allavie  
 Clerk  
 Mr. Tom Hunt  
 Mrs. Patricia Lock-Dawson

**Riverside Unified School District**

ADMINISTRATION BUILDING  
 3380 14TH STREET - P. O. BOX 2800  
 RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT  
 (951) 788-7131  
 FAX: (951) 778-5668

RICHARD L. MILLER, PH.D.  
 District Superintendent



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 18, 2013

Jim L. Spano, Chief  
 Mandated Cost Audits Bureau  
 Division of Audits  
 State Controller's Office  
 P.O. Box 942850  
 Sacramento, CA 94250-5874

Re: Chapter 498, Statutes of 1983  
 Notification of Truancy (Third Audit)  
 Fiscal Years: 2007-08, 2008-09, and 2009-10  
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated December 19, 2012, and received by the District on January 7, 2013, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement annual claims for the period of July 1, 2007 through June 30, 2010.

**FINDING 1 - Overstated, understated, and unallowable initial truancy notifications**

This finding disallows \$11,982 (688 notifications) from the total number of notifications claimed. There are three sources for the total adjustment to allowable notifications:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
A. No documentation	<349>	<95>	27	<417>

The District does not dispute this adjustment at this time. The District has not located the additional supporting documentation requested by the auditor after an extensive search. These 417 notices represent about one-percent of the total 45,779 notices claimed for the three fiscal years.

B. Charter school students	<6>	<1>	<4>	<11>
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The District agrees with the adjustment. The Charter schools were incorrectly included in the number of notices claimed as a result of software error when extracting relevant information from the attendance accounting system that has been corrected.

C. Independent Study <143> <55> <62> <260>

The District does not agree with this adjustment. This has not been a finding in previous audits of this District. The draft audit report states:

*The district claimed initial truancy notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness and period or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.*

The draft audit report does not state a legal basis to exclude independent study students from the attendance accounting system required by Title 5 or the mandated initial notice of truancy mandated by the California Education Code. The nature of the independent study course delivery and student evaluation does not exclude those students from the attendance accounting system absent some legal reason which has not be cited by the draft audit report.

**FINDING 2- Non-reimbursable initial truancy notifications**

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$68,410 for Fiscal Years 2007-08, 2008-09, and 2009-10. This represents about 8.5% of the total claimed amount of \$806,110 for the three fiscal years.

This Finding is based on statistical sampling. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (California Government Code Section 17561(d) (2)). It would, therefore, appear that the findings are based upon the wrong standard for review.

Statistical sampling was used for the two previous Controller audits of this mandate program at this District and at about twenty other districts. This District and other districts have filed incorrect reduction claims with the Commission on State Mandates to appeal the Controller's use of sampling for this mandate program. Those appeals are still pending Commission action. The District's objections to the statistical sampling were stated in its two incorrect reduction claims and those objections apply to this third audit.

<u>DISALLOWANCE REASON</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>TOTAL</u>
<u>Daily Attendance</u>				
Underage (less than 6 years)	22	20	8	50
Less than 3 Absences	<u>6</u>	<u>5</u>	<u>1</u>	<u>12</u>
Total Disallowed	28	25	9	62
Sample Size	147	147	146	
Percentage Disallowance	19.05%	17.01%	6.16%	

Period Attendance

Overage (18 years plus)	8	9	17
Less than 3 Absences			
Total Disallowed	<u>8</u>	<u>9</u>	<u>17</u>
Sample Size	148	148	
Percentage Disallowance	5.41%	6.08%	

A. AGE OF STUDENT

A total of 67 (50+17) of the notices sampled were disallowed because of the student's age at the time of the unexcused absences. That is, the student was younger than 6 years and older than 17 years at the time some or all of the absences were accrued which is outside the compulsory attendance law (California Education Code Section 48200). However, the District has statutory duties to enroll some children who are five-years old at the beginning of the school year and 18 years old at the end of the school year, as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. The adjustments that result from the statistical sampling should be withdrawn as unrepresentative and unsupported by law. The District's objections to disallowance were stated in its two incorrect reduction claims and those objections apply to this third audit.

B. INSUFFICIENT NUMBER OF ABSENCES

These 12 sampled notices were disallowed for lack of documentation to support the three required unexcused absences or tardies required by California Education Code Section 48260. The District does not dispute the documentation issue at this time. The District has not located the additional supporting documentation requested by the auditor after an extensive search.

**FINDING 3- Noncompliant initial truancy notifications**

The draft audit report disallows \$31,160 (12.5%) of the FY 2007-08 claimed notices as noncompliant with California Education Code Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. In the previous (second) audit, the draft and final audit report disallowed 100% of the FY 2006-07 claimed notices as noncompliant with Section 48260.5 because the sixth element was missing. The second audit was later revised to reduce the adjustment to 12.5%, as it is for FY 2007-08. The District's initial notification of truancy was updated to include the missing sixth item in FY 2008-09.

The District's FY 2006-07 and FY 2007-08 initial notifications of truancy more than substantially complied with California Education Code Section 48260.5. The notice provided a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice,

Mr. Jim Spano, State Controller's Office

January 18, 2013

so the lack of citation of Section 48264 in the initial notification of truancy was substantively insignificant.

However, the reduction of the adjustment to 12.5% appears to be one solution to the imprecision of the California Education Code language, and the District does not dispute this adjustment at this time.

**Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine  
Deputy Superintendent  
Business Services & Governmental Relations

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **RIVERSIDE UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2003, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

August 2012



**JOHN CHIANG**  
**California State Controller**

August 24, 2012

Gayle Cloud, President  
Board of Education  
Riverside Unified School District  
3380 14<sup>th</sup> Street  
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

This revised final report supersedes our previous report dated February 5, 2010. Our original report did not allow reimbursement for initial truancy notifications that did not comply with the program's parameters and guidelines. We revised Finding 3 to allow partial reimbursement for the fiscal year 2006-07 notifications that the district distributed. As a result, allowable costs increased by \$198,120 for the audit period.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

The district previously filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) on November 1, 2010. The district may file an amended IRC based on this revised final audit report. The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://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



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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Riverside Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2003, through June 30, 2007.

The district claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable. The costs are unallowable because the district claimed unsupported, non-reimbursable, and non-compliant initial truancy notifications. The State paid the district \$659,793. The State will pay allowable costs claimed that exceed the amount paid, totaling \$198,120, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2003, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. Except for the following issue, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. The district did not respond based on its consultant's advice. As a result, we increased our substantive testing; however, this would not necessarily identify a fraud or abuse that may have occurred.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Riverside Unified School District claimed \$985,881 (\$987,881 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$857,913 is allowable and \$127,968 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$210,743 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$233,635 from funds specifically appropriated for mandated program claims. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State paid the district \$215,415 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit disclosed that \$198,120 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on November 20, 2009. Michael H. Fine, Deputy Superintendent, responded by letter dated December 14, 2009 (Attachment). The district disagreed with Findings 2 and 3, and stated that it does not dispute Finding 1 at this time. We issued the final audit report on February 5, 2010.

Subsequently, we revised our audit report to allow partial reimbursement for non-compliant initial truancy notifications that the district distributed in FY 2006-07. We revised Finding 3 to reduce unallowable costs from \$226,423 to \$28,303. We advised Annette Alvarez, Fiscal Services Manager, of the revision.

**Restricted Use**

This report is solely for the information and use of the Riverside Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

August 24, 2012

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	17,943	15,501	(2,442)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total costs <sup>2</sup>	\$ 245,101	\$ 211,743	\$ (33,358)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 244,101</u>	210,743	<u>\$ (33,358)</u>	
Less amount paid by the State		(210,743)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	19,134	16,431	(2,703)	Findings 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total costs	\$ 273,234	\$ 234,635	\$ (38,599)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 272,234</u>	233,635	<u>\$ (38,599)</u>	
Less amount paid by the State		(233,635)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	15,645	13,862	(1,783)	Finding 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 243,123</u>	\$ 215,415	<u>\$ (27,708)</u>	
Less amount paid by the State <sup>3</sup>		(215,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	14,020	14,020	—	
Uniform cost allowances	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 226,423	\$ 226,423	\$ —	
Noncompliant initial truancy notifications	—	(28,303)	(28,303)	Finding 3
Total program costs	<u>\$ 226,423</u>	\$ 198,120	<u>\$ (28,303)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

## Revised Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference <sup>1</sup></u>
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total costs	\$ 987,881	\$ 859,913	\$ (127,968)	
Less late claim penalty	<u>(2,000)</u>	<u>(2,000)</u>	<u>—</u>	
Total program costs	<u>\$ 985,881</u>	857,913	<u>\$ (127,968)</u>	
Less amount paid by the State		<u>(659,793)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 198,120</u>		

<sup>1</sup> See the Revised Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

<sup>3</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

# Revised Findings and Recommendations

## **FINDING 1— Unsupported initial truancy notifications claimed**

The district claimed \$799 in unsupported initial truancy notifications for fiscal year (FY) 2003-04 and FY 2004-05 because attendance records did not support the number of initial truancy notifications claimed.

For FY 2003-04 and FY 2004-05, the district claimed 17,943 and 19,134 initial truancy notifications, respectively. However, its attendance records supported only 17,919 and 19,101 notifications, respectively, for the same fiscal years. The overstated number of truancy notifications totaled 57.

The following table summarizes the unsupported initial truancy notifications claimed:

	Fiscal Year		Total
	2003-04	2004-05	
Number of elementary school initial notifications documented	9,214	9,395	
Number of secondary school initial notifications documented	8,705	9,706	
Total number of initial truancy notifications documented	17,919	19,101	
Less number of initial truancy notifications claimed	(17,943)	(19,134)	
Overstated number of initial truancy notifications	(24)	(33)	(57)
Uniform cost allowance	× \$13.66	× \$14.28	
Audit adjustment	\$ (328)	\$ (471)	\$ (799)

The program's parameter's and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. In specifying reimbursable costs, the parameters and guidelines state that districts shall be reimbursed for the costs to identify truant pupils, prepare and distribute by mail or other method the forms to parents or guardians, and perform associated recordkeeping. The program reimburses claimants based on a uniform cost allowance and the number of eligible initial truancy notifications documented.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

### District's Response

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.



SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications claimed**

The district overstated allowable initial truancy notifications by \$98,866 during the audit period. This amount is net of the adjustment in Finding 1 totaling \$799 in costs claimed that were not supported by the district's attendance records and \$5,237 of reimbursable elementary school costs the district did not claim for FY 2005-06.

The district claimed initial truancy notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district's attendance records supported 454 more initial truancy notifications than it claimed for Harrison and Hawthorne Elementary Schools.

The district accounts for elementary and secondary school attendance differently; therefore, we stratified the population into two groups for each year. For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes unallowable initial truancy notifications claimed:

	<u>Fiscal Year</u>			<u>Total</u>
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	
<u>Elementary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(36)	(40)	(38)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage Population sampled <sup>1</sup>	(24.32)%	(27.03)%	(25.85)%	
	× 9,214	× 9,395	× 7,562	
Extrapolated number of unallowable initial truancy notifications	(2,241)	(2,539)	(1,955)	
Uniform cost allowance	×\$13.66	×\$14.28	×\$15.54	
Unallowable costs, elementary schools	<u>\$(30,612)</u>	<u>\$(36,257)</u>	<u>\$(30,381)</u>	\$ (97,250)

	Fiscal Year			Total
	2003-04	2004-05	2005-06	
<u>Secondary Schools</u>				
Number of unallowable initial truancy notifications from statistical sample	(3)	(2)	(3)	
Statistical sample size	÷ 148	÷ 148	÷ 147	
Unallowable percentage	(2.03)%	(1.35)%	(2.04)%	
Population sampled <sup>1</sup>	× 8,705	× 9,706	× 8,083	
Extrapolated number of unallowable initial truancy notifications	(177)	(131)	(165)	
Uniform cost allowance	×\$13.66	×\$14.28	× \$15.54	
Unallowable costs, secondary schools	\$ (2,418)	\$ (1,871)	\$ (2,564)	(6,853)
Audit adjustment, unallowable initial truancy notifications claimed	<u>\$(33,030)</u>	<u>\$(38,128)</u>	<u>\$(32,945)</u>	<u>\$(104,103)</u>

<sup>1</sup> Net of unsupported truantries identified in Finding 1. For FY 2005-06, the population of elementary schools sampled totaled 8,016 (7,562 claimed and 454 unclaimed).

The following table summarizes unclaimed allowable initial truancy notifications:

	Fiscal Year 2005-06
<u>Elementary Schools</u>	
Understated number of initial truancy notifications	454
Allowable percentage	× 74.15%
Extrapolated number of unclaimed allowable initial truancy notifications	337
Uniform cost allowance	× \$15.54
Audit adjustment, unclaimed initial truancy notifications	<u>\$ 5,237</u>

The following table summarizes the unallowable initial truancy notifications claimed net of unclaimed notifications:

	Fiscal Years			Total
	2003-04	2004-05	2005-06	
Audit adjustment, unallowable initial truancy notifications claimed	\$ (33,030)	\$ (38,128)	\$ (32,945)	\$ (104,103)
Audit adjustment, unclaimed initial truancy notifications	—	—	5,237	5,237
Total audit adjustment	<u>\$ (33,030)</u>	<u>\$ (38,128)</u>	<u>\$ (27,708)</u>	<u>\$ (98,866)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

For the audit period, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006. Therefore, for the audit period, an initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate three or more unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

### District's Response

#### Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

#### Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

#### Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

#### SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

### **Audit by Sampling**

The district concludes that the SCO based its audit finding on the “wrong standard for review” and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district’s records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, “The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

The SCO did, in fact, conclude that the district’s claim was excessive. “Excessive” is defined as “exceeding what is usual, *proper*, *necessary* [emphasis added], or normal.”<sup>1</sup> The district’s mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district believes that the sample results may not be representative of the universe because the audit sample included kindergarten students, who are more likely to be excluded due to the under-age issue. The district also states that the possibility that a special education student is under-age or over-age is “greater than [that of] the entire student body,” and the inclusion of special education students in the tested sample is “non-representative of the universe.” In fact, the opposite is true. An appropriate random, statistical sample may include some kindergarten and special education students because those students are part of the truancy population. The district’s response provides no evidence showing that the audit sample included a disproportionate number of kindergarten or special education students compared to the truancy population.

### **Number of Absences Required for the Initial Notification**

The district does not distinguish between its statutory responsibility and mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program’s parameters and

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<sup>1</sup> Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.

guidelines. For the audit period (excluding FY 2006-07), the parameters and guidelines state that an initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district, and all other California school districts, failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

### **Age of Student**

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

### **FINDING 3— Noncompliant initial truancy notifications**

The district claimed unallowable costs totaling \$28,303. The costs are unallowable because the district distributed initial truancy notifications in FY 2006-07 that did not contain all eight items required by the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.

7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed initial truancy notifications that did not include the sixth item listed above. Therefore, 1/8 (12.5%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year <u>2006-07</u>
Number of noncompliant initial truancy notifications	14,020
Uniform cost allowance	<u>× \$16.15</u>
Subtotal	226,423
Unallowable percentage	<u>× (12.5)%</u>
Audit adjustment	<u>\$ (28,303)</u>

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

District’s Response

The draft audit report states in the “Background” section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

### SCO's Comment

Subsequent to our final audit report issued February 5, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district asserts that it was not "on notice" of the retroactive effect to FY 2006-07, as the program's parameters and guidelines were amended on January 31, 2008. We disagree. Chapter 1023, Statutes of 1994, required the district to notify parents/guardians of the eight specific items noted in this audit finding. Therefore, the district has been "on notice" of its statutory obligation since that time. The recent amendment to the parameters and guidelines simply aligns these guidelines with the Education Code for mandate-reimbursement purposes.

The district agrees that its FY 2006-07 initial truancy notification is missing a required element, as it does not state "the pupil may be subject to prosecution under Education Code section 48264." Nevertheless, the district believes it should be reimbursed because its notification "more than substantially complies with Education Code Section 48260.5." In addition, the district believes that our reference to Education Code section 48264 is "substantively insignificant" because enforcement under the section is not dependent on the number of unexcused absences that the pupil accumulates. We disagree on both counts. The parameters and guidelines do not provide reimbursement for "substantial compliance." In addition, the matter of when a district may enforce the provisions of Education Code section 48264 is irrelevant. The parameters and guidelines require that initial truancy notifications include the information provided in Education Code section 48260.5, subdivision (f). The district's notifications did not include the required information; therefore, only a prorated portion of the unit cost allowance is allowable.

### **OTHER ISSUE— Public records request**

### District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

### SCO's Comment

The SCO provided the district the requested records by separate letter dated January 26, 2010.



**Attachment—  
District’s Response to  
Draft Audit Report**

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BOARD OF EDUCATION

Mr. Lewis Vanderzyl  
President  
Mr. Tom Hunt  
Vice President  
Mrs. Gayle Cloud  
Clerk  
Mrs. Kathy Allavie  
Charles L. Beaty Ph.D.

**Riverside Unified School District**

ADMINISTRATION BUILDING  
3380 14TH STREET - P. O. BOX 2800  
RIVERSIDE, CALIFORNIA 92516

OFFICE OF THE SUPERINTENDENT  
(951) 788-7135  
FAX: (951) 778-5668

Richard L. Miller, Ph.D.  
District Superintendent

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 14, 2009

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 498, Statutes of 1983  
Notification of Truancy  
Fiscal Years: 2003-04, 2004-05, 2005-06, 2006-07  
Riverside Unified School District

Dear Mr. Spano:

This letter is the response of the Riverside Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated November 20, 2009, and received by the District on December 1, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2003 through June 30, 2007.

**FINDING 1 - Unsupported initial truancy notifications claimed**

This finding adjusts the total notifications claimed to the number of audited notifications "supported" by District documentation. The audited decrease in the number of notices is 57 less for FY 2003-04 and FY 2004-05. This District has no additional documentation available at this time to support the 57 notices. The District does not dispute this finding at this time.

**FINDING 2- Non-reimbursable initial truancy notifications claimed**

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$98,866 for FY 2003-04, FY 2004-05, and FY 2005-06. There is no adjustment in this finding for FY 2006-07 as a result of Finding 3,

### Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. A sample of 147 or 148 notifications was selected for both elementary and secondary schools each year, or a total of 886 notifications for the three years for which there are findings. Based on the claimed number of notifications for the three years (52,722), it appears the sample size is approximately 1.7 percent. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what has occurred in this audit. For example, kindergarten students present in the sample are more likely to be excluded because of the under-age issue, which makes these samples non-representative of the universe. Also, if any of the notices excluded for being under-age or over-age are for students who are special education students, these samples would also not be representative of the universe since the possibility of a special education student being under-age or over-age is greater than the entire student body.

### Number of absences required for the initial notification

About one-half of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth.

absence as required by the Parameters and Guidelines. Therefore, the Controller's adjustment is without legal authority.

#### Age of student

Many of the sampled notifications were disallowed because the student was younger than six years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

The adjustments that result from the statistical sampling should be withdrawn as factually incorrect and unsupported by law.

#### **FINDING 3- Noncompliant initial truancy notifications**

The draft audit report disallows all (\$226,423) of the FY 2006-07 notices as noncompliant with Section 48260.5 since item six (the reference to Section 48264 arrest of minors) of the eight notice elements was not included. The draft audit states that effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms with the eight notice elements.

The draft audit report states in the "Background" section, on page 1, that the Commission amended the parameters and guidelines on January 31, 2008. Therefore, the District could not have been on notice of the retroactive effect to FY 2006-07 until the amended parameters and guidelines were adopted and included in the next update of the claiming instructions for this program, which was after FY 2006-07.

Notwithstanding, the District initial notification of truancy more than substantially complies with Education Code Section 48260.5. The notice provides a summary of the code section, but does not specifically cite Section 48264. Section 48264, which states that truants are subject to arrest, has been state law in some form since 1903. It permits discretionary *noncriminal* custody arrests during school hours of students away from home and not in school. A Section 48264 detention does not depend on the occurrence or documentation of either three or four or more absences or tardies and thus a Section 48260.5 notice is not a condition precedent to the enforcement of Section 48264. The student is subject to this penalty at any time, before and after the Section 48260.5 notice, so the lack of citation of Section 48264 in the initial notification of truancy is substantively insignificant.

The adjustment should be rescinded as unnecessary and punitive.

**Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,



Michael H. Fine, Deputy Superintendent  
Business Services & Governmental Relations

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **RIVERSIDE UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2000, through June 30, 2002*



**JOHN CHIANG**  
California State Controller

April 2013



**JOHN CHIANG**  
**California State Controller**

April 8, 2013

Gayle Cloud, President  
Board of Education  
Riverside Unified School District  
3380 14<sup>th</sup> Street  
Riverside, CA 92501

Dear Mrs. Cloud:

The State Controller's Office (SCO) audited the claims filed by Riverside Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

This revised final report supersedes our previous revised final report, issued February 5, 2010. We revised Finding 2 of the final report to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications distributed in fiscal year (FY) 2000-01 that did not contain all five elements required by the parameters and guidelines. This revision increased allowable costs for FY 2000-01 from \$0 to \$112,854.

The district claimed \$399,535 for the mandated program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable. The unallowable costs resulted from the district overclaiming the number of reimbursable truancy notifications. The district was paid \$101,253. Allowable costs claimed exceed the amount paid by \$112,854.

The district previously filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM) on September 13, 2010. The district may file an amended IRC based on this revised final audit report. The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's website link at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/vb



cc: Richard L. Miller, Ph.D.  
District Superintendent  
Riverside Unified School District  
Michael Fine  
Deputy Superintendent  
Riverside Unified School District  
Kenneth M. Young, County Superintendent of Schools  
Riverside County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Riverside Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$399,535 for the mandated program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable. The unallowable costs resulted from the district overclaiming the number of reimbursable truancy notifications. The district was paid \$101,253. The State will pay allowable costs claimed that exceed the amount paid, totaling \$112,854, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means (1) of the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to Education Code section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in Education Code section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on August 27, 1987, and last amended them on July 22, 1993. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2000, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district did not submit a representation letter.

## **Conclusion**

The audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Riverside Unified School District claimed \$399,535 for costs of the Notification of Truancy Program. Our audit found that \$214,107 is allowable and \$185,428 is unallowable.

For the fiscal year (FY) 2000-01 claim, the State made no payment to the district. Our audit found that \$112,854 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2001-02 claim, the State paid the district \$101,253. Our audit found that the entire amount is allowable.

**Views of  
Responsible  
Officials**

We issued a draft audit report on December 5, 2003. We did not receive a response to the draft audit report. We issued the initial final report on October 28, 2004.

First revised final audit report dated December 12, 2007

The district filed an incorrect reduction claim (IRC) with the Commission on State Mandates (CSM), on June 12, 2006, questioning our authority to audit the FY 1999-2000 claim because the statute of limitations for initiating an audit had expired. The SCO logged the district's claim on December 22, 2000. At that time, we had two years following the end of the calendar year in which the claim was filed to initiate an audit. Our audit, initiated in February 25, 2003, was not within the statutory period to initiate an audit. Therefore, the FY 1999-2000 audit adjustment of \$257,454 was removed and we issued the first revised final report on December 12, 2007.

Second revised final audit report dated February 5, 2010

The district filed a revised IRC with the CSM on August 26, 2008, questioning our application of sampling results to determine audit adjustments. We conducted a statistical sample on the total population of notifications claimed in each year of the audit period. Subsequently, we extrapolated the exception rate derived from the sample to determine unallowable notices.

The district correctly notes that the FY 2001-02 sample does not reflect the relative occurrence of trancies at different grade levels. We agree that attendance procedures for elementary and special education students differ from those for middle and high school students. Therefore, the 31.97% exception rate was incorrectly computed and does not accurately represent exceptions for both populations. We removed the adjustment totaling \$32,365 from Finding 2 of this revised final report.

However, for FY 2000-01, our sample results revealed that 100% of 149 tested notifications were unallowable. As the results identified exceptions for all notifications tested, we concluded that all notifications claimed for FY 2000-01 were unallowable. The audit adjustment remains unchanged from the prior revised audit report.

We advised Michael Fine, Deputy Superintendent, of the above revisions on December 29, 2009. In an email dated January 11, 2010, he concurred with the revisions that we made to Finding 2 of the audit report. We issued the second revised final audit report on February 5, 2010.

Third revised final audit report

The district filed a second revised IRC with the CSM on September 13, 2010, questioning the audit finding for FY 2000-01 as it pertained to notice content and documentation compliance for that year. As noted in the audit report, the two sample notifications provided by the district contained two of the five elements required by the parameters and guidelines. The district's Child Welfare and Attendance Office (CWA) oversaw the district's student attendance issues during FY 2000-01.

Notification forms made available by CWA that year for use by the district's thirty-eight school sites contained two of the five elements required by the parameters and guidelines. Therefore, we revised the final report herein to allow a prorated amount (40%) of the unit cost allowance for noncompliant initial truancy notifications distributed in FY 2000-01 that did not contain all five elements required by the parameters and guidelines. This revision increased allowable costs for FY 2000-01 from \$0 to \$112,854. We advised Michael Fine, Deputy Superintendent, of the above revisions via email on February 6, 2013, and again on February 28, 2013. Mr. Fine did not respond to the audit revisions.

## **Restricted Use**

This report is solely for the information and use of the Riverside Unified School District, the Riverside County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 8, 2013

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	23,258	22,163	(1,095)	Finding 1
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Subtotal	\$ 296,074	\$ 282,135	\$ (13,939)	
Noncompliant initial truancy notifications	—	(169,281)	(169,281)	Finding 2
Total program costs	<u>\$ 296,074</u>	\$ 112,854	<u>\$ (183,220)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,854</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	8,014	7,843	(171)	Finding 1
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 103,461</u>	\$ 101,253	<u>\$ (2,208)</u>	
Less amount paid by the State		(101,253)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Total program costs	<u>\$ 399,535</u>	\$ 214,107	<u>\$ (185,428)</u>	
Less amount paid by the State		(101,253)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,854</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Revised Findings and Recommendations

**FINDING 1—  
Overclaimed  
number of initial  
truancies**

The district claimed \$16,147 during the audit period for 1,266 initial truancy notification forms distributed to pupils’ parents or guardians that were not supported by attendance records. The overclaimed number of initial truancy notifications resulted from mathematical errors when the district manually counted the students from student absence reports during the claim preparation process.

	Fiscal Year		Total
	2000-01	2001-02	
Number of truancy notifications supported by absence reports	22,163	7,843	
Less truancy notifications claimed	(23,258)	(8,014)	
Unallowable truancy notifications	(1,095)	(171)	<u>(1,266)</u>
Uniform cost allowance	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (13,939)</u>	<u>\$ (2,208)</u>	<u>\$ (16,147)</u>

Recommendation

We recommend that the district establish policies and procedures to ensure that it prepares claims that are free of mathematical errors.

District’s Response

The district did not respond to this finding.

**FINDING 2—  
Unallowable costs  
relating to initial  
truancies**

The district claimed unallowable costs totaling \$169,281. The costs are unallowable because the district distributed initial truancy notifications in FY 2000-01 that did not contain all five items required by the parameters and guidelines.

Effective during FY 2000-01, the parameters and guidelines required that districts distribute initial truancy notification forms that notify parents or guardians of the following five items:

1. The pupil’s truancy.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.

The district distributed initial truancy notifications that did not include items two, three, and four listed above. Therefore, three-fifths (60%) of the unit cost allowance for each notification is unallowable.



The following table summarizes the audit adjustment:

	Fiscal Year 2000-01
Number of noncompliant initial truancy notifications	22,163
Uniform cost allowance	× \$12.73
Subtotal	282,135
Unallowable percentage	× (60.0)%
Audit adjustment	<u>\$ (169,281)</u>

We selected a random sample of 149 students from the total population of pupils claimed as truant for FY 2000-01. We reviewed attendance records for the sample of 149 pupils claimed as truant for FY 2000-01. None of the 149 sampled notifications were reimbursable. For two of the sampled notifications, the district was able to provide notification letters that documented that the student was truant and that the parent of the truant student could meet with district staff to discuss the truancy issue. These letters did not contain three of the required five elements. The remaining 147 sampled notifications were not supported by any documentation.

We also noted that in FY 2000-01, the process of sending out truancy notification letters was the responsibility of individual school sites. Our sample included truant students from 33 of the district's 42 school sites. Except for the two notifications noted above, individual notification letters were not retained for audit purposes. In addition, the individual school sites did not retain sample copies of the truancy letters that were distributed to parents or guardians of truant students.

During FY 2001-02, the process of distributing truancy notification letters was consolidated within the district's Pupil Services Office. The district was able to document that the notification letters distributed in FY 2001-02 contained the five elements that are required by the parameters and guidelines. However, for some of the notifications reviewed, the pupils did not have four or more truantries in the school year. We did not project the error to the population, as our sample selected was not appropriately stratified among students with different attendance procedures. We also did not adjust claimed cost for the sampled items as the adjustment was immaterial. Attendance procedures for elementary and special education students differ from those for middle and high school students.

The program's parameters and guidelines, as amended by the CSM on July 22, 1993, specify that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents or guardians, and associated recordkeeping using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

For the audit period, the parameters and guidelines state that a truancy occurs when a student is absent from school without valid excuse for *more* than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. These parameters and guidelines allow the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to pupils' parents or guardians contain the five specified elements. Education Code section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require three additional elements. However, since the parameters and guidelines have not been amended, the claimant continues to be reimbursed if it complies with the five specified elements required by the guidelines.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines. The amended parameters and guidelines require the initial truancy notification form to contain eight specified elements and define a truancy as follows:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) – minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

We recommend that the district claim initial truancy notification costs for only those students who accumulate three or more unexcused absences or tardiness occurrences between ages 6 and 18, in accordance with Education Code sections 48200 and 48260, subdivision (a).

#### District's Response

The district agreed with the removal of the FY 2001-02 adjustment as the statistical sampling was not representative. The district did not respond to the adjustment of FY 2000-01 costs for the district's omission of three of the five required elements in the initial truancy notifications.

#### SCO's Comment

Subsequent to the issuance of the second revised final audit report dated February 5, 2010, the district filed a second revised incorrect reduction claim on September 13, 2010, questioning the 100% audit adjustment for the district's failure to include only two of the three required elements in the initial truancy notifications. We concurred with the district and restated 40% of the costs as the initial truancy notifications contained two of the five required elements. As a result, the audit adjustment decreased by \$112,854, from \$282,135 to \$169,281.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874  
<http://www.sco.ca.gov>**

S03-MCC-022

# **SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2002, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

October 2012



**JOHN CHIANG**  
**California State Controller**

October 25, 2012

Diana Rodriguez, President  
Board of Education  
Sacramento City Unified School District  
5735 47<sup>th</sup> Avenue  
Sacramento, CA 95824

Dear Ms. Rodriguez:

The State Controller's Office audited the costs claimed by Sacramento City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2007.

This revised final report supersedes our previous report dated April 15, 2009. Our original report identified unallowable costs for fiscal year 2006-07 totaling \$215,990, because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$188,991 for the audit period.

The district claimed \$1,096,044 for the mandated program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable. The costs are unallowable because the district claimed unsupported, nonreimbursable, and noncompliant initial truancy notifications. The State paid the district \$800,171. The State will pay allowable costs claimed that exceed the amount paid, totaling \$188,991, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site link at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Jonathan P. Raymond, Superintendent  
Sacramento City Unified School District  
Patty Hagemeyer, Chief Business Officer  
Sacramento City Unified School District  
Greg Geeting, President  
Sacramento County Board of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2002, through June 30, 2007.

The district claimed \$1,096,044 for the mandated program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable. The costs are unallowable because the district claimed unsupported, nonreimbursable, and noncompliant initial truancy notifications. The State paid the district \$800,171. The State will pay allowable costs claimed that exceed the amount paid, totaling \$188,991, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to also notify the pupil's parent or guardian that: (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five items.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.



On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2002, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Revised Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, the Sacramento City Unified School District claimed \$1,096,044 for costs of the Notification of Truancy Program. Our audit disclosed that \$989,162 is allowable and \$106,882 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$177,197. Our audit disclosed that the entire amount is allowable.

For the FY 2003-04 claim, the State paid the district \$183,208. Our audit disclosed that the entire amount is allowable.

For the FY 2004-05 claim, the State paid the district \$179,999. Our audit disclosed that the entire amount is allowable.

For the FY 2005-06 claim, the State paid the district \$259,767 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.

For the FY 2006-07 claim, the State made no payment to the district. Our audit disclosed that \$188,991 is allowable. The State will pay that amount, contingent upon available appropriations.

### **Views of Responsible Officials**

We issued a draft audit report on February 27, 2009. Thomas S. Barentson, Deputy Superintendent/CFO, responded by letter dated March 20, 2009 (Attachment), disagreeing with the audit results. We issued our original final audit report on April 15, 2009.

Subsequently, we revised Finding 3 to allow partial reimbursement for noncompliant initial truancy notifications distributed during FY 2006-07. As a result, we revised Finding 3 to reduce the audit adjustment from \$215,990 to \$26,999. On October 10, 2012, we notified Patty Hagemeyer, Chief Business Officer, of the final audit report revisions. Ms. Hagemeyer did not comment on the revisions.

### **Restricted Use**

This report is solely for the information and use of the Sacramento City Unified School District, the Sacramento County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

October 25, 2012

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	14,078	13,424	(654)	Findings 1, 2
Uniform cost allowance	× \$ 13.20	× \$ 13.20	× \$ 13.20	
Total program costs	<u>\$ 185,830</u>	177,197	<u>\$ (8,633)</u>	
Less amount paid by the State		<u>(177,197)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	18,628	13,412	(5,216)	Findings 1, 2
Uniform cost allowance	× \$ 13.66	× \$ 13.66	× \$ 13.66	
Total program costs	<u>\$ 254,458</u>	183,208	<u>\$ (71,250)</u>	
Less amount paid by the State		<u>(183,208)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Number of initial truancy notifications	12,605	12,886	281	Findings 1, 2
Uniform cost allowance	× \$ 14.28	× \$ 14.28	× \$ 14.28	
Subtotal	179,999	184,012	4,013	
Less allowable costs that exceed costs claimed <sup>2</sup>	<u>—</u>	<u>(4,013)</u>	<u>(4,013)</u>	
Total program costs	<u>\$ 179,999</u>	179,999	<u>\$ —</u>	
Less amount paid by the State		<u>179,999</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	16,716	16,749	33	Findings 1, 2
Uniform cost allowance	× \$ 15.54	× \$ 15.54	× \$ 15.54	
Subtotal	259,767	260,279	512	
Less allowable costs that exceed costs claimed <sup>2</sup>	<u>—</u>	<u>(512)</u>	<u>(512)</u>	
Total program costs	<u>\$ 259,767</u>	259,767	<u>\$ —</u>	
Less amount paid by the State <sup>3</sup>		<u>(259,767)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

## Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	13,374	13,374	—	
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 215,990	\$ 215,990	\$ —	
Noncompliant initial truancy notifications	—	(26,999)	(26,999)	Finding 3
Total program costs	<u>\$ 215,990</u>	188,991	<u>\$ (26,999)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,991</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Total program costs	<u>\$ 1,096,044</u>	\$ 989,162	<u>\$ (106,882)</u>	
Less amount paid by the State		(800,171)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 188,991</u>		

<sup>1</sup> See the Revised Findings and Recommendations section.

<sup>2</sup> Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2004-05 and FY 2005-06.

<sup>3</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

# Revised Findings and Recommendations

## **FINDING 1— Overstated, understated, and unallowable initial truancy notifications claimed**

The district claimed costs for initial truancy notifications that were unallowable or not supported by the district's records. Unallowable costs total \$54,793. The costs are unallowable because:

- The district's records did not support the total number of initial truancy notifications that the district claimed for each fiscal year. The district either overstated or understated the number during each fiscal year.
- The district claimed initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Number of elementary and K-8 school initial truancy notifications documented	2,902	2,346	942	5,728	
Number of secondary school initial truancy notifications documented	11,107	11,876	12,794	12,677	
Total number of initial truancy notifications documented	14,009	14,222	13,736	18,405	
Less number of initial truancy notifications claimed	(14,078)	(18,628)	(12,605)	(16,716)	
Understated/(overstated) number of initial truancy notifications	(69)	(4,406)	1,131	1,689	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (911)	\$ (60,186)	\$ 16,151	\$ 26,247	\$ (18,699)
Number of charter school initial truancy notifications	(50)	(372)	(569)	(679)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (660)	\$ (5,082)	\$ (8,125)	\$ (10,552)	(24,419)
Duplicate truancy notifications	(196)	(222)	(189)	(216)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Unallowable costs	\$ (2,587)	\$ (3,032)	\$ (2,699)	\$ (3,357)	(11,675)
Audit adjustment	\$ (4,158)	\$ (68,300)	\$ 5,327	\$ 12,338	\$ (54,793)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government Code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government code section 17560.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those notifications that it distributes for charter school students and duplicate notifications that it distributes for the same student.

### District’s Response

- 1) The District regrets being unable to fully substantiate all notifications claimed. As this audit addresses activities/documentation that occurred seven years ago it is understandable that not all records still exist . . . . The District acknowledges the language regarding retaining mandated cost audit support documentation and is not disputing this finding. However, SCO language regarding support documentation does not align with guidance provided by the California Department of Education. Additionally, had the SCO undertaken this audit in a timely manner the possibility that all documentation could have been recovered would be greater.
- 2) The SCO’s position that charter schools are not eligible claimants was not known at the time these claims were filed and was only recently made known to mandated cost claimants. The SCO is applying a new position to a time period when the prohibition did not exist.
- 3) 823 notifications related to duplication. The District has no issue with this finding.

### SCO’s Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states, “SCO language regarding support documentation does not align with guidance provided by the California Department of Education.” The program’s parameters and guidelines, not the SCO, specify supporting documentation requirements. The parameters and guidelines state, “For auditing purposes, documents must be kept on file for a period of 3 years from the date of final payment by the State Controller, unless other specified by statute and be made available at the

request of the State Controller or his agent.” The district first received payment on September 11, 2006, for its fiscal year (FY) 2002-03 through FY 2006-07 claims. The district did not specify its reference to California Department of Education guidance; therefore, we cannot address that portion of the district’s response.

The district also alleges that the SCO audit was untimely. Government Code section 17558.5, subdivision (a), states:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.

The district first received payment on September 11, 2006, for these claims. The SCO initiated its audit on May 30, 2007, within the statutory time frame allowed. It is the district’s responsibility to maintain documentation during the period that its claims are subject to audit.

In addition, the district infers that the SCO developed a position on charter schools and alleges that the SCO incorrectly applied a “new position” to previous fiscal years. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$20,565. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For FY 2002-03 through FY 2005-06, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented, excluding those notifications distributed to charter school students and those duplicate notifications identified in Finding 1. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary and K-8 school, and secondary school attendance differently; therefore, we stratified the population into two groups.

The following table summarizes the number of initial truancy notifications that the district documented:

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Number of initial truancy notifications documented:				
Elementary and K-8 schools	2,852	2,346	917	5,556
Secondary schools	10,911	11,282	12,061	11,954
Total	13,763	13,628	12,978	17,510

The district claimed unallowable initial truancy notifications for elementary and K-8 school students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. (Some of these students accumulated fewer than three unexcused absences or tardiness occurrences.)

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment.

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Number of unallowable initial truancy notifications	(17)	(13)	(13)	(20)	
Statistical sample size	÷ 143	÷ 141	÷ 129	÷ 146	
Unallowable percentage	(11.89)%	(9.22)%	(10.08)%	(13.70)%	
Number of initial truancy notifications documented	× 2,852	× 2,346	× 917	× 5,556	
Total number of unallowable initial truancy notifications	(339)	(216)	(92)	(761)	
Uniform cost allowance	× \$13.20	× \$13.66	× \$14.28	× \$15.54	
Audit adjustment	\$ (4,475)	\$ (2,950)	\$ (1,314)	\$ (11,826)	\$ (20,565)

Education Code section 48260, subdivision (a), (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2002-03 through FY 2005-06.



Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

#### District's Response

The basis of this finding rests on the discrepancy between the Parameters and Guidelines (P's & G's) and the Education Code. Since 1994, Education Code 48260.5 has required notification upon the third unexcused absence or tardy in excess of 30 minutes. The P's & G's however did not reflect this language and remained outdated until their recent amendment effective July 1, 2006. The District's responsibility is to comply with Education Code and its policy regarding truancy abatement is not directed by mandated costs. The District regrets the disallowance; however it notes that, in effect, an unfunded mandate was placed on the District by the requirement to send notification according to Education Code yet reimbursement was limited by dated P's & G's.

#### SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

We agree that the district is required to comply with Education Code section 48260.5. However, mandate-related reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. We disagree that "an unfunded mandate was placed on the district." Pursuant to Government Code section 17550 et al, school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

**FINDING 3—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$26,999 for FY 2006-07. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48260) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Section 13202.7 of the Vehicle Code.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

For FY 2006-07, the district distributed initial truancy notifications that did not include the last item identified above. As a result, 1/8 (12.5%) of the unit cost allowance is unallowable for each notification. The following table summarizes the audit adjustment:

	Fiscal Year 2006-07
Number of noncompliant initial truancy notifications	13,374
Uniform cost allowance	× \$16.15
Subtotal	\$ 215,990
Unallowable percentage	× (12.5)%
Audit adjustment	\$ (26,999)

Recommendation

We recommend that the district revise its initial truancy notifications to comply with the minimum requirements specified in the parameters and guidelines.

### District's Response

- 1) The SCO's disallowance is based on language missing from the notification itself. Education Code 48260.5 (a-h) describes the necessary contents of the letter. There are eight components and the disallowed notifications do not contain the "eighth" component. Section 48260.5 (h) reads "That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day." The District acknowledges that the notifications were indeed missing that language. However, the District believes that in no way diminishes its right to reimbursement. The District was fully carrying out its primary responsibility under Education Code 48260 to notify parents/guardians of their son or daughter's classification as a "truant." Except for the inadvertent omission of 48260.5 (h) the District was in compliance with its responsibility to Education Code.
- 2) The Education Audit Appeals Panel (EAAP) allows findings to be appealed in cases where "substantial compliance" can be proved. Per EAAP, substantial compliance is defined as "...nearly complete satisfaction of all material requirements of a funding program that provide an educational benefit substantially consistent with the program's purpose. A minor or inadvertent noncompliance may be grounds for a finding of substantial compliance provided that the local educational agency can demonstrate it acted in good faith to comply with the conditions established in law or regulation." Unfortunately, mandated cost audits cannot be appealed to EAAP. If that were the case, the District is confident that this finding would be reversed in light of substantial compliance.

### SCO's Comment

Subsequent to our final audit report issued April 15, 2009, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged. The district confirmed that its initial truancy notification letters did not include all items required by the parameters and guidelines.

The district believes that the Education Audits Appeals Panel (EAAP) would reverse the audit finding based on substantial compliance. The EAAP oversees audit appeals related to programs funded through the district's annual apportionment revenue. State-mandated programs are not funded through apportionment funds; therefore, the EAAP has no jurisdiction over this audit report. If the district disagrees with the audit finding, it may file an Incorrect Reduction Claim with the Commission on State Mandates pursuant to Government Code section 17551, subdivision (d).

**Attachment—  
District’s Response to  
Draft Audit Report**

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March 20, 2009

Jim L. Spano, CPA  
Chief, Mandated Cost Audits Bureau  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Sacramento City Unified School District  
Notification of Truancy Program  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2002/03 through 2006/07

This letter responds to the draft audit report issued by the State Controller's Office (SCO) with regard to costs claimed by Sacramento City Unified School District (District) for the legislatively mandated Notification of Truancy Program for the period of July 1, 2002 through June 30, 2007. The District extends its sincere gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates this opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1: Overstated, understated and unallowable initial truancy notifications claimed:

The District claimed costs for 62,027 initial truancy notifications sent for fiscal years 2002/03-2005/06. Of the 62,027 notifications claimed the SCO disallowed:

- 1) 4,475 notifications as a result of overstatement. The District regrets being unable to fully substantiate all notifications claimed. As this audit addresses activities/documentation that occurred seven years ago it is understandable that not all records still exist. A sizeable number of sites migrated to a new Student Information System (SIS) in 2002/03 and employee turnover at the District office and sites made recovery of all documentation requested by the SCO difficult. The District acknowledges the language regarding retaining mandated cost audit support documentation and is not disputing this finding. However, SCO language regarding support documentation does not align with guidance provided by the California Department of Education. Additionally, had the SCO undertaken this audit in a timely manner the possibility that all documentation could have been recovered would be greater.

**ADMINISTRATIVE SUPPORT UNIT**

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Tom Barentson, *Deputy Superintendent/CFO*

- 2) 1,670 notifications related to charter schools. The SCO's position that charter schools are not eligible claimants was not known at the time these claims were filed and was only recently made known to mandated cost claimants. The SCO is applying a new position to a time period when the prohibition did not exist.
- 3) 823 notifications related to duplication. The District has no issue with this finding.

Finding 2: Non-reimbursable initial truancy notifications:

The SCO is disallowing 1,408 initial truancy notifications for students who "accumulated fewer than four unexcused absences or tardiness occurrences" for the fiscal years audited:

- 1) The basis of this finding rests on the discrepancy between the Parameters and Guidelines (P's & G's) and the Education Code. Since 1994, Education Code 48260.5 has required notification upon the third unexcused absence or tardy in excess of 30 minutes. The P's & G's however did not reflect this language and remained outdated until their recent amendment effective July 1, 2006. The District's responsibility is to comply with Education Code and its policy regarding truancy abatement is not directed by mandated costs. The District regrets the disallowance; however it notes that, in effect, an unfunded mandate was placed on the District by the requirement to send notification according to Education Code yet reimbursement was limited by dated P's & G's.

Finding 3: Non-compliant initial truancy notifications:

The District claimed costs for 13,374 initial truancy notifications sent for fiscal year 2006/07. Of the 13,374 notifications claimed the SCO has disallowed all notifications. A disallowance totaling \$215,990:

- 1) The SCO's disallowance is based on language missing from the notification itself. Education Code 48260.5 (a-h) describes the necessary contents of the letter. There are eight components and the disallowed notifications do not contain the "eighth" component. Section 48260.5 (h) reads "That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day." The District acknowledges that the notifications were indeed missing that language. However, the District believes that in no way diminishes its right to reimbursement. The District was fully carrying out its primary responsibility under Education Code 48260 to notify parents/guardians of their son or daughter's classification as a "truant." Except for the inadvertent omission of 48260.5 (h) the District was in compliance with its responsibility to Education Code.
- 2) The Education Audit Appeals Panel (EAAP) allows findings to be appealed in cases where "substantial compliance" can be proved. Per EAAP, substantial compliance is defined as "...nearly complete satisfaction of all material requirements of a funding program that provide an educational benefit substantially consistent with the program's purpose. A minor or inadvertent noncompliance may be grounds for a finding of substantial compliance provided that the local educational agency can demonstrate it acted in good faith to comply with the conditions established in law or regulation." Unfortunately, mandated cost audits cannot be appealed to EAAP. If that were the case, the District is confident that this finding would be reversed in light of substantial compliance.

Jim L. Spano  
March 20, 2009  
Page 3

In conclusion, the District once again thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,



Thomas S. Barentson  
Deputy Superintendent/CFO

cc: Susan Miller, Interim Superintendent, SCUSD  
Patty Hagemeyer, Chief Business Officer, SCUSD  
Greg Purcell, Director Student and Family Support Services, SCUSD  
Cheryal DeAnda, Child Welfare and Attendance Liaison, SCUSD  
Karen Wiker, Auditor Analyst, SCUSD  
Steve Van Zee, Audit Manager, SCO  
Joyce Mendoza, Auditor, SCO  
Joe Rombold, Director Compliance Resources, School Innovations & Advocacy

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**



# **SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2000, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

November 2005



**STEVE WESTLY**  
California State Controller

November 30, 2005

Arturo Delgado, Ed.D., Superintendent  
San Bernardino City Unified School District  
777 North F Street  
San Bernardino, CA 92410

Dear Dr. Delgado:

The State Controller's Office audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$877,640 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district did not provide documentation to support the claimed number of truancy letters distributed and it distributed initial truancy notifications forms that did not contain all specified elements required by the mandate. The State paid the district \$529,148, which the district should return.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/ams

cc: Mohammad Z. Islam

Assistant Superintendent of Business Services  
San Bernardino City Unified School District

Derek Harris

Accounting Supervisor  
San Bernardino City Unified School District

Herbert R. Fischer, Ph.D.

San Bernardino County Superintendent of Schools

Scott Hannan, Director

School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant

School Fiscal Services Division  
California Department of Education

Gerry Shelton, Director

Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was May 13, 2005.

The district claimed \$877,640 for the mandated program. Our audit disclosed that the entire amount is unallowable, because the district did not provide documentation to support the claimed number of truancy letters distributed and it distributed initial truancy notifications forms that did not contain all specified elements required by the mandate. The State paid the district \$529,148. The district should return the total amount to the State.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student will be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

**Objective,  
Scope, and  
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the San Bernardino City Unified School District claimed \$877,640 for costs of the Notification of Truancy Program. Our audit disclosed that the entire amount is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$269,782. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount paid to the State.

For FY 2001-02, the State paid the district \$259,366. Our audit disclosed that all of the costs claimed are unallowable. The district should return the total amount to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that all of the costs claimed are unallowable.

**Views of  
Responsible  
Official**

We issued a draft audit report on September 9, 2005. We contacted Mohammad Islam, Assistant Superintendent, by telephone on September 29, 2005.

In response, Derek Harris, Accounting Supervisor, stated that the district understands the audit findings and has no records to dispute them. Mr. Harris advised the SCO to proceed with the final report.

## **Restricted Use**

This report is solely for the information and use of the San Bernardino City Unified School District, the San Bernardino County Superintendent of Schools, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Number of initial truancy notifications	27,873	—	(27,873)	Findings 1, 2
Uniform cost allowable	× \$12.73	× \$12.73	× \$12.73	
Total program costs	<u>\$ 354,823</u>	—	<u>\$ (354,823)</u>	
Less amount paid by the State		<u>(269,782)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (269,782)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial truancy notifications	26,158	—	(26,158)	Findings 1, 2
Uniform cost allowable	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 337,700</u>	—	<u>\$ (337,700)</u>	
Less amount paid by the State		<u>(259,366)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (259,366)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	14,024	—	(14,024)	Findings 1, 2
Uniform cost allowable	× \$13.20	× \$13.20	× \$13.20	
Total program costs	<u>\$ 185,117</u>	—	<u>\$ (185,117)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Total program costs	<u>\$ 877,640</u>	\$ —	<u>\$ (877,640)</u>	
Less amount paid by the State		<u>(529,148)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (529,148)</u>		

<sup>1</sup> See the Findings and Recommendations section.



# Findings and Recommendations

**FINDING 1—  
Overclaimed number  
of initial truanancies**

The district claimed \$5,955 for fiscal year (FY) 2000-01 and FY 2001-02 for 463 truancy notification forms distributed to pupils’ parents or guardians that were not supported by attendance records. The overclaimed notifications are as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Number of truancy notifications supported by attendance records	27,747	25,821	53,568
Truancy notifications claimed	(27,873)	(26,158)	(54,031)
Unallowable truancy notifications	(126)	(337)	(463)
Uniform cost allowance	× \$12.73	× \$12.91	
Audit adjustment	\$ (1,604)	\$ (4,351)	\$ (5,955)

For FY 2002-03, the district claimed 14,024 truanancies; its records revealed 21,732 truanancies. As discussed in Finding 2, a statistical sample of truanancies for FY 2002-03 supported that all of the truanancies claimed are unallowable.

Recommendation

We recommend that the district establish policies and procedures to ensure that it claims only actual initial truancy notifications distributed to pupils’ parents or guardians.

**FINDING 2—  
Unsupported  
truanancies**

The district claimed \$871,685 during the audit period for initial truancy notifications that were not reimbursable. The district did not maintain records to substantiate the actual number of truancy notifications distributed to pupils’ parents or guardians. Instead, the district asserted that the claim was prepared based on the information available from the attendance accounting system. The district assumed that a notification of truancy was issued for every pupil identified as a truant in its attendance accounting system. The district’s attendance accounting system revealed 75,300 truanancies (27,747 for FY 2000-01, 25,821 for FY 2001-02, and 21,732 for FY 2002-03).

From the total population of initial truanancies identified in the attendance accounting system, we selected a statistical sample for each year based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. The district used a different attendance accounting method for elementary and middle/high schools. Thus, for each year, we selected two groups of samples: elementary and middle/high schools.

Our examination involved verifying copies of initial truancy notifications and/or documents that supported the distribution of the initial truancy notifications for the selected samples. The number of unsupported truancy notifications identified in the sample, the unallowable percentage, and the projected audit adjustments are summarized below.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Unallowable truanancies:				
Non-compliant notifications	23	48	54	125
Unsupported notifications	274	248	242	764
Total unallowable truanancies	297	296	296	889
Truant pupils sampled	÷ 297	÷ 296	÷ 296	
Unallowable percentage	100%	100%	100%	
Claimed number of truancy notifications supported by attendance records	× 27,747	× 25,821	× 14,024	67,592
Projected unallowable truancy notifications	27,747	25,821	14,024	
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Audit adjustment	\$ 353,219	\$ 333,349	\$ 185,117	\$ 871,685

For FY 2000-01, we selected and tested 297 truanancies, 148 for elementary schools and 149 for middle/high schools from a population of 27,747 truanancies (12,838 for elementary and 14,909 for middle/high schools). For FY 2001-02, we selected and tested 296 truanancies, 148 for elementary schools and 148 for middle/high schools from a population of 25,821 truanancies (11,661 for elementary and 14,160 for middle/high schools). For FY 2002-03, we selected and tested 296 truanancies, 148 for elementary schools and 148 for middle/high schools from a population of 21,732 truanancies (9,081 for elementary and 12,651 for middle/high schools).

Our tests revealed that the entire sample examined was unallowable. The district's records substantiated 125 initial truancy notifications: 42 for elementary schools (12 for FY 2000-01, 13 for FY 2001-02, and 17 for FY 2002-03) and 83 for middle/high schools (11 for FY 2000-01, 35 for FY 2001-02, and 37 for FY 2002-03). However, the truancy notifications contained only two of the required five elements. The elements discussed in the letter included (1) the pupil's truancy and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. For the remainder of the sampled students, the district did not provide any records to substantiate the distribution of truancy notifications.

*Parameters and Guidelines*, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to pupils' parents or guardians contain five specified elements. *Education Code* Section 48260.5 (amended by Chapter 1023, Statutes of 1994, effective January 1, 1995) requires three additional elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

*Parameters and Guidelines* states that a truancy occurs when a student is absent from school without valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse for three full school days in one year or is tardy or absent for more than 30 minutes during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, the claimant will continue to be reimbursed for students having more than three unexcused absences.

#### Recommendation

We recommend that the district establish policies and procedures to ensure that it supports all claimed notification letters.

We also recommend that the district claim reimbursement under the Notification of Truancy Program only for truancy notifications applicable to pupils who are absent from school without valid excuse for more than three days, or are tardy in excess of 30 minutes on each of more than three days in one school year.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2005, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

December 2011



**JOHN CHIANG**  
California State Controller

December 28, 2011

Barbara Flores, Ph.D., President  
Board of Education  
San Bernardino City Unified School District  
777 North F Street  
San Bernardino, CA 92410

Dear Dr. Flores:

The State Controller's Office audited the costs claimed by San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$111,508. Allowable costs claimed exceed the amount paid by \$1,141,486.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/bf

cc: Yolanda M. Ortega, Interim Superintendent  
San Bernardino City Unified School District  
Mohammad Islam, Chief Business and Financial Officer, Business Services  
San Bernardino City Unified School District  
Derek Harris, Interim Director of Employee Benefits, Payroll, Worker's Compensation,  
and Reimbursements, Business Services  
San Bernardino City Unified School District  
Lillian Vo, Interim Mandated Cost Specialist, Business Services  
San Bernardino City Unified School District  
Gary Thomas, Ed.D., Superintendent of Schools  
San Bernardino County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino City Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$111,508. Allowable costs claimed exceed the amount paid by \$1,141,486.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the

CSM did not amend the program's parameters and guidelines until January 30, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2005, through June 30, 2009.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, San Bernardino City Unified School District claimed \$1,509,337 (\$1,529,337 less a \$20,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,252,994 is allowable and \$256,343 is unallowable. The State paid the district \$111,508. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,141,486, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on November 15, 2011. Mohammed Z. Islam, Chief Business and Financial Officer, responded by letter dated December 8, 2011 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of San Bernardino City Unified School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

December 28, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2005, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	29,874	20,294	(9,580)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Subtotal	464,242	315,369	(148,873)	
Noncompliant initial truancy notifications	-	(3,494)	(3,494)	Finding 3
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	<u>\$ 454,242</u>	301,875	<u>\$ (152,367)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 301,875</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	8,950	29,088	20,138	Finding 1
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	144,543	469,771	325,228	
Less allowable costs that exceed costs claimed <sup>2</sup>	-	(325,228)	(325,228)	
Total program costs	<u>\$ 144,543</u>	144,543	<u>\$ -</u>	
Less amount paid by the State		(8,415)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 136,128</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	26,366	23,208	(3,158)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 455,604</u>	401,034	<u>\$ (54,570)</u>	
Less amount paid by the State		(10)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 401,024</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	26,209	23,424	(2,785)	Finding 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	464,948	415,542	(49,406)	
Less late filing penalty	(10,000)	(10,000)	-	
Total program costs	<u>\$ 454,948</u>	405,542	<u>\$ (49,406)</u>	
Less amount paid by the State		(103,083)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 302,459</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 2005, through June 30, 2009</u>				
Total costs	\$ 1,529,337	\$ 1,598,222	\$ 68,885	
Less late filing penalty	(20,000)	(20,000)	-	
Less allowable costs that exceed costs claimed <sup>2</sup>	-	(325,228)	(325,228)	
Total program costs	<u>\$ 1,509,337</u>	1,252,994	<u>\$(256,343)</u>	
Less amount paid by the State		(111,508)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,141,486</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07.

# Findings and Recommendations

## **FINDING 1— Overstated and understated allowable initial truancy notifications**

The district overstated or understated the number of allowable initial truancy notifications distributed for each of its fiscal year (FY) 2005-06 through FY 2007-08 claims. For the audit period, the district understated claimed costs by \$246,066.

For each fiscal year, the district provided a summarized list of students for whom it distributed initial truancy notifications. For FY 2005-06, the district also provided copies of initial truancy notifications that were distributed by school sites not included on the summarized list.

For FY 2005-06 through FY 2007-08, the number of documented initial truancy notifications did not agree with the number of notifications claimed. The district claimed 29,874, 8,950, and 26,366 notifications for FY 2005-06, FY 2006-07, and FY 2007-08, respectively. However, the district documented 25,829, 31,533, and 27,435 notifications for those fiscal years, respectively.

In addition, the initial truancy notifications documented included unallowable notifications. We identified the following issues from the notifications documented:

- The notifications included multiple notifications (i.e., duplicate notifications) that the district distributed for the same student during the school year. A student's *initial* truancy notification is the only notification eligible for mandated program reimbursement.
- The FY 2005-06 and FY 2006-07 notifications included 76 identical notifications. The district distributed the notifications during FY 2006-07; therefore, the notifications are unallowable for FY 2005-06.
- The FY 2005-06 notifications included four notifications that the district distributed in FY 2004-05.
- The FY 2005-06 notifications included three notifications that the district distributed during FY 2006-07. We reclassified these notifications from FY 2005-06 to FY 2006-07.

The following table details the audit adjustment:

	Fiscal Year			Total
	2005-06	2006-07	2007-08	
Number of notifications documented	25,829	31,533	27,435	
Less number of notifications claimed	(29,874)	(8,950)	(26,366)	
Overstated/understated number of notifications	(4,045)	22,583	1,069	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (62,859)	\$ 364,715	\$ 18,473	\$ 320,329
Duplicate notifications	(1,005)	(2,448)	(1,034)	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (15,618)	\$ (39,535)	\$ (17,868)	(73,021)
Number of notifications distributed in both FY 2005-06 and FY 2006-07	(76)	-	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (1,181)	\$ -	\$ -	(1,181)
Number of notifications distributed in FY 2004-05	(4)	-	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (62)	\$ -	\$ -	(62)
Number of FY 2006-07 notifications incorrectly included in FY 2005-06	(3)	3	-	
Uniform cost allowance	× \$15.54	× \$16.15	× \$17.28	
Audit adjustment	\$ (47)	\$ 48	\$ -	1
Total audit adjustment <sup>1</sup>	\$ (79,767)	\$ 325,228	\$ 605	\$ 246,066

<sup>1</sup> Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

They also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

#### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year. We recommend that the district exclude from this count duplicate notifications that it distributes for the same student.

District’s Response

The district concurred with the audit finding. The district had the following comment:

During the audit period, the District was transitioning between two different attendance systems, SB2000 and Aeries. This transition caused some students, who transferred to other sites within the District, who remained truant, to have more than one (1) truancy letter claimed for reimbursement. . . . This issue has been addressed.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$173,687. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting.

The following table summarizes the notifications sampled, adjusted for the unallowable notifications identified in Finding 1 and noncompliant notifications identified in Finding 3:

	Fiscal Year		
	2005-06	2007-08	2008-09
Daily attendance accounting:			
Documented notifications	9,503	10,237	11,290
Unallowable notifications (Finding 1):			
Duplicate notifications	(273)	(256)	—
Number of notifications distributed in both FY 2005-06 and FY 2006-07	(76)	—	—
Number of notifications distributed in FY 2004-05	(4)	—	—
Number of FY 2006-07 notifications incorrectly included in FY 2005-06	(3)	—	—
Noncompliant notifications (Finding 3)	(281)	—	—
Total notifications sampled, daily attendance accounting	<u>8,866</u>	<u>9,981</u>	<u>11,290</u>
Period attendance accounting:			
Documented notifications	16,326	17,198	14,919
Duplicate notifications (Finding 1)	(732)	(778)	—
Total notifications sampled, period attendance accounting	<u>15,594</u>	<u>16,420</u>	<u>14,919</u>



For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group. We did not select samples for FY 2006-07 because the district significantly understated total initial truancy notifications for that fiscal year (see Finding 1).

The district claimed initial truancy notifications that were non-reimbursable for the following reasons:

- For FY 2005-06, students accumulated only three unexcused absences or tardiness occurrences during the school year.
- For FY 2005-06, students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- For FY 2007-08 and FY 2008-09, students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical sample:

	Fiscal Year		
	2005-06	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Daily attendance accounting:			
Three total (FY 2005-06 only)	(15)	-	-
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(14)	-	-
Fewer than three while between ages 6 and 18 (FY 2007-08 and FY 2008-09 only)	-	(21)	(14)
Fewer than three total	<u>(33)</u>	<u>(10)</u>	<u>(12)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(62)</u>	<u>(31)</u>	<u>(26)</u>
Period attendance accounting:			
Fewer than four while between ages 6 and 18 (FY 2005-06 only)	(6)	-	-
Fewer than three while between ages 6 and 18 (FY 2007-08 and FY 2008-09 only)	-	(4)	(7)
Fewer than three total	<u>(1)</u>	<u>(6)</u>	<u>(1)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(7)</u>	<u>(10)</u>	<u>(8)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2005-06	2007-08	2008-09	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(62)	(31)	(26)	
Statistical sample size	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(41.89)%	(20.95)%	(17.57)%	
Population sampled	× 8,866	× 9,981	× 11,290	
Extrapolated number of unallowable initial truancy notifications	(3,714)	(2,091)	(1,984)	
Uniform cost allowance	× \$15.54	× \$17.28	× \$17.74	
Unallowable costs, daily attendance accounting	\$ (57,716)	\$ (36,132)	\$ (35,196)	\$(129,044)
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(7)	(10)	(8)	
Statistical sample size	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(4.70)%	(6.71)%	(5.37)%	
Population sampled	× 15,594	× 16,420	× 14,919	
Extrapolated number of unallowable initial truancy notifications	(733)	(1,102)	(801)	
Uniform cost allowance	\$15.54	\$17.28	\$17.74	
Unallowable costs, period attendance accounting	\$ (11,390)	\$ (19,043)	\$ (14,210)	\$ (44,643)
Audit adjustment <sup>1</sup>	\$ (69,106)	\$ (55,175)	\$ (49,406)	\$(173,687)

<sup>1</sup> Calculation differences due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. The Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006. Therefore, a FY 2005-06 initial truancy notification is reimbursable only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

District’s Response

The district concurred with the audit finding. The district had the following comment:

. . . Education Code 48260 was in conflict with commission guidelines on the minimum number of unexcused absences a student could have before they are reclassified as truant. . . . This conflict was resolved during the audit period, setting the minimum number of unexcused absences at three (3). Some of the District’s sites continued to follow outdated guidelines, which caused over/under claiming. This issue has been addressed.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$3,494 for FY 2005-06. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

For FY 2005-06, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following five items:

1. That the pupil is truant.
2. That the parent or guardian is obligated to compel the attendance of the pupil at school.
3. That parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Section 48290) of Chapter 2 of Part 27.
4. That alternative educational programs are available in the district.
5. That the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.

The district distributed notifications that included just one of the five required items. Therefore, we allowed only 20% of the unit cost allowance for each notification.

The following table summarizes the audit adjustment:

	Fiscal Year 2005-06
Number of noncompliant initial truancy notifications	281
Uniform cost allowance	× \$15.54
Subtotal	\$ 4,367
Allowable percentage	× 20%
Allowable costs	873
Less claimed costs	(4,367)
Audit adjustment	\$ (3,494)

#### Recommendation

We recommend that the district ensure that all initial truancy notifications comply with the minimum requirements specified in the parameters and guidelines.

#### District's Response

The district concurred with all audit findings, but did not provide any comments specific to this finding.

#### SCO's Comment

The finding and recommendation remain unchanged.

**Attachment—  
District’s Response to  
Draft Audit Report**

---



Mohammad Z. Islam, Chief Business and Financial Officer

December 8, 2011

Jim L. Spano, Chief  
Mandated Cost Audit Bureau  
Division of Audits  
California State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Notification of Truancy Program - July 1, 2005, through June 30, 2009

Dear Mr. Spano:

This is in response to the Draft Audit Report, dated November 15, 2011, for the Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), prepared by the State Controller's Office (SCO). The audit period was from July 1, 2005, through June 30, 2009. The San Bernardino City Unified School District (District) claimed \$1,509,337 in reimbursements for expenditures related to the Notification of Truancy Program, of which \$1,252,994 is allowable and \$256,343 was found to be unallowable.

During the audit period, the District was transitioning between two different attendance systems, SB2000 and Aeries. This transition caused some students, who transferred to other sites within the District, who remained truant, to have more than one (1) truancy letter claimed for reimbursement. Under the mandate, only one (1) initial truancy letter can be claimed, per student, per school year. This issue has been addressed.

Furthermore, Education Code 48260 was in conflict with commission guidelines on the minimum number of unexcused absences a student could have before they are reclassified as a truant (Education Code set the minimum number of unexcused absences at three (3) days and the commission guidelines, at 4 days). This conflict was resolved during the audit period, setting the minimum number of unexcused absences at three (3). Some of the District's sites continued to follow outdated guidelines, which caused over/under claiming. This issue has been addressed.

I have reviewed the entire Draft Audit Report and I concur with the findings. If you have any questions, please feel free to contact me at (909) 381-1164.

Sincerely,

  
Mohammad Z. Islam  
Chief Business and Financial Officer

BUSINESS SERVICES DIVISION

777 North F Street • San Bernardino, CA 92410 • (909) 381-1164 • Fax (909) 383-1375  
[mohammad.islam@sbcusd.com](mailto:mohammad.islam@sbcusd.com)

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN DIEGO UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2008, through June 30, 2011*



**BETTY T. YEE**  
California State Controller

June 2015





**BETTY T. YEE**  
**California State Controller**

June 16, 2015

Marne Foster, President  
Board of Education  
San Diego Unified School District  
4100 Normal Street  
San Diego, CA 92103

Dear Ms. Foster:

The State Controller's Office audited the costs claimed by the San Diego Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), for the period of July 1, 2008, through June 30, 2011.

The district claimed \$1,305,721 for the mandated program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$184,222. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/ljs

cc: Cindy Marten, Superintendent of Public Education  
San Diego Unified School District  
Jenny Salkeld, Chief Financial Officer  
San Diego Unified School District  
Debbie Foster, Executive Director  
Financial Planning and Development  
San Diego Unified School District  
Jodie Macalos, Controller  
San Diego Unified School District  
Cristen Owens, Director  
Budget Development  
San Diego Unified School District  
Lora Duzyk, Assistant Superintendent  
Business Services  
San Diego County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the San Diego Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007), for the period of July 1, 2008, through June 30, 2011.

The district claimed \$1,305,721 for the mandated program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable. The costs are unallowable because the district claimed unallowable and non-reimbursable initial truancy notifications. The State paid the district \$184,222. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the San Diego Unified School District claimed \$1,305,721 for costs of the Notification of Truancy Program. Our audit found that \$1,198,432 is allowable and \$107,289 is unallowable.

The State paid the district \$184,222. Our audit found that \$1,198,432 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,014,210, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on May 20, 2015. Cristen Owens, Director of Budget Development, and David Hogue, Budget Specialist, agreed with the audit results. Ms. Owens declined a draft audit report and agreed that we could issue the audit report as final.

## **Restricted Use**

This report is solely for the information and use of the San Diego Unified School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

June 16, 2015

**Schedule—  
Summary of Program Costs  
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	24,081	22,407	(1,674)	Findings 1,2
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Total program costs	<u>\$ 427,197</u>	397,500	<u>\$ (29,697)</u>	
Less amount paid by the State		<u>(96,796)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 300,704</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	24,908	23,006	(1,902)	Findings 1,2
Uniform cost allowance	x \$17.87	x \$17.87	x \$17.87	
Total program costs	<u>\$ 445,106</u>	411,117	<u>\$ (33,989)</u>	
Less amount paid by the State		<u>(87,426)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 323,691</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	23,697	21,313	(2,384)	Findings 1,2
Uniform cost allowance	x \$18.29	x \$18.29	x \$18.29	
Total program costs	<u>\$ 433,418</u>	389,815	<u>\$ (43,603)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 389,815</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total program costs	<u>\$ 1,305,721</u>	\$ 1,198,432	<u>\$ (107,289)</u>	
Less amount paid by the State		<u>(184,222)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,014,210</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Unallowable initial truancy notifications**

The district claimed unallowable initial truancy notifications during the audit period. The unallowable costs total \$68,795. The costs are unallowable because the district claimed costs for distributing initial truancy notifications to students' parents or guardians that are not reimbursable under the mandated program, as follows:

- The district distributed 761 initial truancy notifications for students who attended charter schools. However, charter schools are not eligible for reimbursement of state-mandated costs.
- The district distributed 48 initial truancy notifications for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The district distributed 1,666 duplicate initial truancy notifications during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.
- The district distributed initial truancy notifications for 26 high school diploma program (HSDP) students, 114 special education students, and 18 non-public/private school students. However, HSDP does not warrant a first notification of truancy letter. Special education and non-public/private school students are not subject to regular attendance.
- The district distributed 44 initial truancy notifications distributed for students that were under the age of six and 1,146 distributed for students over the age of 18. Education Code section 48200 states that children between the ages of six and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.



The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of charter school initial truancy notifications	(122)	(273)	(366)	(761)
Number of independent study initial truancy notifications	(17)	(16)	(15)	(48)
Duplicate truancy notifications	(11)	(665)	(990)	(1,666)
High school diploma program initial truancy notifications	(10)	(10)	(6)	(26)
Special education initial truancy notifications	(76)	(22)	(16)	(114)
Non-public school initial truancy notifications	-	(7)	(10)	(17)
Private school initial truancy notifications	-	-	(1)	(1)
Students under the age of 6 initial truancy notifications	(11)	(11)	(22)	(44)
Students over the age of 18 initial truancy notifications	(975)	(79)	(92)	(1,146)
Total unallowable initial truancy notifications	(1,222)	(1,083)	(1,518)	(3,823)
Uniform cost allowance	x \$17.74	x \$17.87	x 18.29	
Audit adjustment	\$ (21,678)	\$ (19,353)	\$ (27,764)	\$ (68,795)

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

Education Code section 48260, subdivision (a) states:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [*sic*] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant . . .

Education Code section 48200 states:

Each person between the ages of 6 and 18 years not exempted under the provisions of this chapter or Chapter 3 (commencing with Section 48400) is subject to compulsory full-time education.

Recommendation

Commencing in fiscal year (FY) 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district exclude notifications distributed for charter school students, non-public/private school students, high school diploma program (HSDP) students, independent study students, and students not subject to compulsory full-time education, as well as duplicate notifications from the total number of notifications claimed for mandated program reimbursement.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$38,494. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program. In addition, the district claimed initial truancy notifications distributed for students who were either under the age of six or over the age of 18 when the absences occurred. Under California law, only students between the ages of six and 18 are subject to compulsory school attendance. The district also claimed initial truancy notifications that it distributed for charter school students. Charter schools are not eligible for reimbursement of state-mandated costs.

The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We excluded the unallowable initial truancy notifications identified in Finding 1 from the population sampled.

The following table summarizes the notifications sampled:

	Fiscal Year		
	2008-09	2009-10	2010-11
Total notifications sampled, daily attendance accounting	7,641	8,036	7,224
Total notifications sampled, period attendance accounting	14,928	15,097	14,332

For each fiscal year, we selected a statistical sample of initial truancy notifications for each group of students based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between the ages of six and 18.
- Unallowable notifications distributed to charter school students were not eliminated from the student population used to select our sample.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical samples:

	Fiscal Year		
	2008-09	2009-10	2010-11
Non-reimbursable initial truancy notifications:			
Daily attendance accounting:			
Fewer than three while between ages six and 18	<u>(1)</u>	<u>(2)</u>	<u>-</u>
Period attendance accounting:			
Fewer than three while between ages six and 18	-	(7)	(9)
Unallowable charter school students	<u>(4)</u>	<u>-</u>	<u>-</u>
Non-reimbursable initial truancy notifications, period attendance accounting	<u>(4)</u>	<u>(7)</u>	<u>(9)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Daily attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(1)	(2)	-	
Statistical sample size	÷ 147	÷ 147	÷ 147	
Unallowable percentage	(0.68)%	(1.36)%	0.00%	
Population sampled	x 7,641	x 8,036	x 7,224	
Extrapolated number of unallowable initial truancy notifications	(52)	(109)	-	
Uniform cost allowance	x \$17.74	x \$17.87	x \$18.29	
Audit adjustment, daily attendance accounting (C) <sup>1</sup>	<u>\$ (923)</u>	<u>\$ (1,948)</u>	<u>\$ -</u>	<u>\$ (2,871)</u>
Period attendance accounting:				
Number of unallowable initial truancy notifications from statistical sample	(4)	(7)	(9)	
Statistical sample size	÷ 149	÷ 149	÷ 149	
Unallowable percentage	(2.68)%	(4.70)%	(6.04)%	
Population sampled	x 14,928	x 15,097	x 14,332	
Extrapolated number of unallowable initial truancy notifications	(400)	(710)	(866)	
Uniform cost allowance	x \$17.74	x \$17.87	x \$18.29	
Audit adjustment, period attendance accounting (D)	<u>\$ (7,096)</u>	<u>\$ (12,688)</u>	<u>\$ (15,839)</u>	<u>(35,623)</u>
Total audit adjustment ((C) + (D))	<u>\$ (8,019)</u>	<u>\$ (14,636)</u>	<u>\$ (15,839)</u>	<u>\$ (38,494)</u>

<sup>1</sup> Calculation differences due to rounding

Education Code section 48260, subdivision (a), states:

*Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of six and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's sixth birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for state-mandated costs. Therefore, charter schools are not eligible for reimbursement of state-mandated costs.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students whose attendance records show that the students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant pursuant to the Education Code and the program's parameters and guidelines.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN JOSE UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023,  
Statutes of 1994; Chapter 19, Statutes of 1995;  
and Chapter 69, Statutes of 2007

*July 1, 2009, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

April 2015



**BETTY T. YEE**  
California State Controller

April 20, 2015

Sandra Engel, President  
Board of Education  
San Jose Unified School District  
855 Lensen Avenue  
San Jose, CA 95131

Dear Ms. Engel:

The State Controller's Office audited the costs claimed by the San Jose Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$410,666 for the mandated program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$31,270. Allowable costs claimed exceed the amount paid by \$368,960.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the Commission's website at [www.csm.ca.gov/docs/IRCFrm.pdf](http://www.csm.ca.gov/docs/IRCFrm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

cc: Vincent Matthews, Superintendent  
San Jose Unified School District  
Stephen McMahon, Chief Business Officer  
San Jose Unified School District  
Lorena Jung, Mandated Cost Analyst & LEA Program Coordinator  
San Jose Unified School District  
Florence Eng, Director  
Internal Audits  
San Jose Unified School District  
Micaela Ochoa, Chief Business Officer  
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California Department of Finance  
Keith Nezaam, Staff Finance Budget Analyst  
Education System Unit  
California Department of Finance  
Christine Osmena, Principal Program Budget Analyst  
Education System Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office



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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the San Jose Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2009, through June 30, 2012.

The district claimed \$410,666 for the mandated program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$31,270. Allowable costs claimed exceed the amount paid by \$368,960.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994 amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts, reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandated and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO

issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2009, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the San Jose Unified School District claimed \$410,666 for costs of the Notification of Truancy Program. Our audit found that \$400,230 is allowable and \$10,436 is unallowable.

The State paid the district \$31,270. Our audit found that \$400,230 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$368,960, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on January 16, 2015. Vincent Matthews, Ed.D, Superintendent, responded by letter dated January 26, 2015 (Attachment), agreeing with the audit results except for Finding 2. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the San Jose Unified School District, the Santa Clara County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 20, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 2009, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	8,909	8,325	(584)	Findings 1, 2
Uniform cost allowance	× <u>\$17.87</u>	× <u>\$17.87</u>	× <u>\$17.87</u>	
Total program costs	<u>\$ 159,204</u>	148,768	<u>\$ (10,436)</u>	
Less amount paid by the State		<u>(31,270)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 117,498</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	3,696	4,111	415	Findings 1, 2
Uniform cost allowance	× <u>\$18.29</u>	× <u>\$18.29</u>	× <u>\$18.29</u>	
Subtotal <sup>2</sup>	67,600	75,190	7,590	
Less allowable costs that exceed costs claimed <sup>3</sup>	<u>—</u>	<u>(7,590)</u>	<u>(7,590)</u>	
Total program costs	<u>\$ 67,600</u>	67,600	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,600</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	9,723	9,723	—	
Uniform cost allowance	× <u>\$18.91</u>	× <u>\$18.91</u>	<u>—</u>	
Total program costs	<u>\$ 183,862</u>	183,862	<u>\$ —</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 183,862</u>		
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Total costs	\$ 410,666	\$ 407,820	\$ (2,846)	
Less allowable costs that exceed costs claimed <sup>3</sup>	<u>—</u>	<u>(7,590)</u>	<u>(7,590)</u>	
Total program costs	<u>\$ 410,666</u>	400,230	<u>\$ (10,436)</u>	
Less amount paid by the State		<u>(31,270)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 368,960</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

<sup>3</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2010-11.

# Findings and Recommendations

## **FINDING 1— Understated and unallowable initial truancy notifications claimed**

The district understated its claimed costs by the net amount of \$6,682 for the audit period (understated by \$13,269 and overstated by \$6,587). Costs were understated because the district understated the total number of initial truancy notifications distributed for each year of the audit period. Costs were overstated because the district claimed costs for unallowable initial truancy notifications.

The district provided a list taken from its attendance accounting systems of students for whom the district distributed initial truancy notifications. The number of notifications documented exceeded the number of initial truancy notifications claimed (1 for FY 2009-10, 524 for FY 2010-11, and 194 for FY 2011-12).

The district's list of truancy notifications also contained notifications that were unallowable for the following reasons:

- Initial truancy notifications distributed for students who appeared two or more times in the district's attendance records (duplicate notifications). A student's initial truancy notification is the only notification eligible for mandated program reimbursement.
- Initial truancy notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- Initial truancy notifications distributed for students who were involved in independent study programs. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the overclaimed and underclaimed number of initial truancy notifications and resulting audit adjustments:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
Number of notifications documented	8,910	4,220	9,917	
Less number of notifications claimed	<u>(8,909)</u>	<u>(3,696)</u>	<u>(9,723)</u>	
Documented notifications exceeding notifications claimed	1	524	194	
Less: Duplicate notifications	(6)	-	(14)	
Less: Notifications for charter school students	(107)	-	(114)	
Less: Notifications for independent study students	<u>(112)</u>	<u>(8)</u>	<u>-</u>	
(Overstated)/understated number of notifications	<u>(224)</u>	<u>516</u>	<u>66</u>	
Uniform cost allowance	× <u>\$17.87</u>	× <u>\$18.29</u>	× <u>\$18.91</u>	
Audit adjustment <sup>1</sup>	<u>\$ (4,003)</u>	<u>\$ 9,437</u>	<u>\$ 1,248</u>	<u>\$ 6,682</u>

<sup>1</sup> Calculation differences due to rounding.

The program’s parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any duplicate notifications, and notifications that it distributes to charter school and independent study students.

District’s Response

The draft audit report increased the number of claimable notifications, which becomes the audit universe for the statistical sampling later, by 358 which increases the claimed amount by a *net* amount of \$6,683. The total number of notifications claimed was adjusted for four reasons:

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Number of notices per audit	8,910	4,220	9,917	23,047
Number of notices claimed	<u>8,909</u>	<u>3,696</u>	<u>9,723</u>	<u>22,328</u>
Adjustments:				
A. Documented notices	1	524	194	719
B. Duplicate notices	<6>	0	<14>	<20>
C. Charter school students	<107>	0	<114>	<221>
D. Independent study students	<112>	<8>	<0>	<120>
Total Adjustments to universe	<224>	516	66	358
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	<\$4,003>	\$9,438	\$1,248	\$6,683

A. Number of documented notifications

The draft audit report identifies an additional 719 notifications that were supported by District documentation. The District concurs with this adjustment.

B. Duplicate notifications

The draft audit report disallows 20 duplicate notifications that were generated by the District attendance accounting system. The District concurs with this adjustment.

C. Charter school students

The draft audit report disallows 221 notifications that were generated by the District attendance accounting system for the dependent charter school. Attendance accounting is an administrative service provided by the District to the charter school. However, the District concurs that charter school students are not included within the reimbursable scope of the mandate.

D. Independent study students

The draft audit report disallows 120 notifications that were generated by the District attendance accounting system for independent study school sites. Based on recent audit results for this and other districts, this District is now on notice that while independent study students are included in the attendance accounting system by law, they are not included within the reimbursable scope of the mandate. The District concurs with this adjustment.

SCO’s Comment

The district concurred with this adjustment.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$16,449. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences during the school year to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. The district accounts for student attendance differently depending on the student’s grade level. Therefore, we stratified students into two groups for each year: those students subject to daily attendance accounting and those subject to period attendance accounting. We selected our samples from the lists of students that the district provided which were taken from its online attendance accounting systems. We excluded notifications for the duplicate notifications, charter school students, and independent study students identified in Finding 1 above from the sample population.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year		
	2009-10	2010-11	2011-12
Number of unexcused absences and tardiness occurrences accumulated during the school year, fewer than three total for:			
Daily attendance accounting:	(6)	(2)	(5)
Period attendance accounting:	(6)	(4)	(7)
Non-reimbursable initial truancy notifications	<u>(12)</u>	<u>(6)</u>	<u>(12)</u>



The following table summarizes the audit adjustment based on the non-reimbursable initial truancy notifications identified for each group sampled:

	Fiscal Year			Total
	2009-10	2010-11	2011-12	
<u>Daily attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(6)	(2)	(5)	
Statistical sample size	÷ 143	÷ 135	÷ 142	
Unallowable percentage	(4.20)%	(1.48)%	(3.52)%	
Population sampled	× 2,881	× 1,331	× 2,774	
Extrapolated number of unallowable initial truancy notifications	(121)	(20)	(98)	
Uniform cost allowance	× \$17.87	× \$18.29	× \$18.91	
Audit adjustment, daily attendance accounting (A)	\$ (2,162)	\$ (366)	\$ (1,853)	\$ (4,381)
<u>Period attendance accounting:</u>				
Number of unallowable initial truancy notifications from statistical sample	(6)	(4)	(7)	
Statistical sample size	÷ 146	÷ 143	÷ 147	
Unallowable Percentage	(4.11)%	(2.80)%	(4.76)%	
Population sampled	× 5,804	× 2,881	× 7,015	
Extrapolated number of unallowable initial truancy notifications	(239)	(81)	(334)	
Uniform cost allowance	× \$17.87	× \$18.29	× \$18.91	
Audit adjustment, period attendance accounting (B)	\$ (4,271)	\$ (1,481)	\$ (6,316)	(12,068)
Total audit adjustment ((A) + (B))	\$ (6,433)	\$ (1,847)	\$ (8,169)	\$ (16,449)

Education Code section 48260, subdivision (a), states:

*Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is truant.*

The parameters and guidelines (section 1 – Background Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

District's Response

As a result of the statistical sample extrapolation, the draft audit report reduces the number of claimable notifications by 893 which decreases the claimed amount by \$16,449. The District does not agree with the statistical method and extrapolation used by the audit.

<u>REASON FOR DISALLOWANCE</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Net Universe for extrapolation	8,685	4,212	9,789	22,686
<u>Daily attendance method</u>				
Less than 3 Absences	6	2	5	13
Sample Size	143	135	142	420
Percentage Disallowance	4.20%	1.48%	3.52%	
Sample Universe	2,881	1,331	2,774	6,986
Extrapolated disallowances	121	20	98	239
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$2,162	\$366	\$1,853	\$4,381
<u>Period attendance method</u>				
Less than 3 Absences	6	4	7	17
Sample Size	146	143	147	436
Percentage Disallowance	4.11%	2.80%	4.76%	
Sample Universe	5,804	2,881	7,015	15,700
Extrapolated disallowances	239	81	334	654
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$4,271	\$1,481	\$6,316	\$12,068
TOTAL ADJUSTMENT	<\$6,433>	<\$1,847>	<\$8,169>	<\$16,449>

These 893 disallowed notifications (239 + 654) are based on the extrapolation of 30 (13 + 17) notifications disallowed for an insufficient number of absences, that is, less than the three required by the Education Code, to generate the notification. The District believes that these 30 notifications were properly generated by the attendance accounting system, but later some of the required of absences may have been "cleared" (reversed) based on subsequent information. The District concurs that the 30 notifications should be disallowed.

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. Annual sample sizes of 135 to 147 notifications were selected each for both elementary and secondary schools, for a total of 856 notifications for the three years. Based on the claimed number of notifications for the three years (22,686), it appears the sample size is about 4.0%. The results from this limited review were extrapolated to the sample universe and the claims were adjusted based on the extrapolation. The draft audit report has cited no statutory or regulatory

authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review. This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### **Limitation of allowed costs**

For FY 2010-11, the audited findings resulted in a net increase in program costs of \$7,591: a \$9,438 increase from Finding 1, and a \$1,847 decrease from Finding 2. The District asserts that the auditor's decision not to increase the reimbursable mandate costs beyond those which were claimed results in an underpayment of reimbursable amounts. The stated basis for this limitation on allowable costs is Government Code Section 17568, cited in footnote 2 on page 4 of the draft audit report. The footnote states "that the State will not reimburse any claim more than one year after the filing deadline." Section 17568 pertains to the timely filing of an annual claim not to the amount or nature of audited reimbursable costs:

If a local agency or school district submits an otherwise valid reimbursement claim to the Controller after the deadline specified in Section 17560, the Controller shall reduce the reimbursement claim in an amount equal to 10 percent of the amount that would have been allowed had the reimbursement claim been timely filed, provided that the amount of this reduction shall not exceed ten thousand dollars (\$10,000). In no case shall a reimbursement claim be paid that is submitted more than one year after the deadline specified in Section 17560.

Section 17568 does not limit the allowable amount of the annual claim, it only penalizes late claims. The District's annual claims were filed on time.

There is no Government Code section cited that prohibits the Controller from reimbursement of audited costs in excess of claimed costs. Government Code Section 17561(d)(2) (C) states: "The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years." The use of the word "shall" makes the adjustment of both underpayments and overpayments mandatory. Thus, auditors do not have the discretion to unilaterally determine that they will deny reimbursement for audit adjustments in favor of the State and simply ignore audit adjustments in favor of the claimants. The Controller, therefore, has the obligation to pay claimants any unclaimed allowable mandate cost discovered as the result of an audit. The \$7,591 should be reinstated for payment.

#### SCO's Comments

The finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding.

The district states in its response that "The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only

mandated cost audit standard in Government Code Section 17561, subdivision (d)(2).” We disagree.

Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* [emphasis added] mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district’s records to verify *actual* [emphasis added] mandate-related costs. Further, Government Code section 12410 states, “The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

In any case, the SCO did conclude that the district’s claims were excessive. Excessive is defined as “Exceeding what is usual, *proper*, *necessary*, [emphasis added], or normal.”<sup>1</sup> The district filed claims for initial truancy notifications that are not reimbursable under the mandated program. Therefore, the costs claimed are excessive.

The district states that we cited no statutory or regulatory authority to “reduce claimed reimbursement based on an extrapolation of a statistical sample.” As the district previously indicated, Government Code section 17561, subdivision (d)(2) allows the SCO to reduce any claim that it determines is excessive or unreasonable. We used statistical sampling properly in our audit to reach such a determination.

We conducted our audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, December 2011). Government Auditing Standards, section 1.04, states, “The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.” Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

Regarding allowable costs in excess of claimed costs, the District states, “Government Code section 17568 does not limit the allowable amount of the annual claim, it only penalized late claims.” However, section 17568 states, “In no case shall a reimbursement claim be paid that is submitted more than one year after the deadline specified in Section 17560.” We believe that this section establishes an upper limit as to the amount a claimant can be reimbursed. The fact that the district has incurred a cost mandated by the State is not sufficient in itself for an entitlement to reimbursement. It is the filing of a claim, within the allotted time frames, detailing the costs actually incurred, that entitles the district to reimbursement.

Government Code section 17561, subdivision (d)(2)(B) gives the Controller authority only to reduce claims, not increase or adjust them. In addition, Government Code section 17561, subdivision (d)(2)(C) states,

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<sup>1</sup> Merriam-Webster’s Collegiate Dictionary, Tenth Edition, 2001

“The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years.” We believe this provision is intended to direct the Controller to adjust the payment owing to the claimant (up to the amount claimed during the statutory period) in consideration of previous payments made to the claimant. For underpayment, this relates to unpaid or underpaid amounts based on allowable costs claimed. For overpayment, this relates to overpaid amounts that occurred when audit adjustments exceeded the amounts previously paid on the claim.

Further, Article XVI, section 6, of the California Constitution prohibits the making of a gift of public funds. We believe that allowing costs not claimed within the time period to file an annual or amended claim would constitute a gift of public funds and, therefore, should be neither allowable nor reimbursable.

**OTHER ISSUE—  
Public records  
request**

The district’s response included a public records request.

District’s Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO’s Comment

The SCO will respond separately to the district’s request.

**Attachment—  
District’s Response to  
Draft Audit Report**

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San Jose Unified  
School District

Vincent Matthews, Ed.D.  
Superintendent

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January 26, 2015

Mr. Jim L. Spano, Chief  
Mandated Costs Audits Bureau  
Division of Audits  
California State Controller  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Notification of Truancy Audit  
Chapter 498, Statutes of 1983  
Fiscal Years: 2009-10, 2010-11, and 2011-12  
San Jose Unified School District

Dear Mr. Spano:

This letter is the response of the San Jose Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated January 16, 2015, that transmitted the draft audit report of the District's Notification of Truancy mandate annual reimbursement claims for the period of July 1, 2009 through June 30, 2012.

The District claimed \$410,666 for the three fiscal years that are the subject of this audit. The draft audit report concludes that \$10,436 is not allowable for the audit period, which is a reduction of about 2.5%. However, the findings involve legal issues that are the subject of several incorrect reduction claims still pending hearing by the Commission on State Mandates and cannot be resolved for this audit without the findings from the Commission. Therefore, the District will be filing an incorrect reduction from this audit to preserve its rights.

**FINDING 1: Understated and unallowable initial truancy notifications claimed**

The draft audit report increased the number of claimable notifications, which becomes the audit universe for the statistical sampling later, by 358 which increases the claimed amount by a *net* amount of \$6,683. The total number of notifications claimed was adjusted for four reasons:



	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Number of notices per audit	8,910	4,220	9,917	23,047
Number of notices claimed	<u>8,909</u>	<u>3,696</u>	<u>9,723</u>	<u>22,328</u>
Adjustments:				
A. Documented notices	1	524	194	719
B. Duplicate notices	<6>	0	<14>	<20>
C. Charter school students	<107>	0	<114>	<221>
D. Independent study students	<u>&lt;112&gt;</u>	<u>&lt;8&gt;</u>	<u>&lt;0&gt;</u>	<u>&lt;120&gt;</u>
Total Adjustments to universe	<u>&lt;224&gt;</u>	516	66	358
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	<\$4,003>	\$9,438	\$1,248	\$6,683

A. Number of documented notifications

The draft audit report identifies an additional 719 notifications that were supported by District documentation. The District concurs with this adjustment.

B. Duplicate notifications

The draft audit report disallows 20 duplicate notifications that were generated by the District attendance accounting system. The District concurs with this adjustment.

C. Charter school students

The draft audit report disallows 221 notifications that were generated by the District attendance accounting system for the dependent charter school. Attendance accounting is an administrative service provided by the District to the charter school. However, the District concurs that charter school students are not included within the reimbursable scope of the mandate.

D. Independent study students

The draft audit report disallows 120 notifications that were generated by the District attendance accounting system for independent study school sites. Based on recent audit results for this and other districts, this District is now on notice that while independent study

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students are included in the attendance accounting system by law, they are not included within the reimbursable scope of the mandate. The District concurs with this adjustment.

**FINDING 2: Non-reimbursable initial truancy notifications**

As a result of the statistical sample extrapolation, the draft audit report reduces the number of claimable notifications by 893 which decreases the claimed amount by \$16,449. The District does not agree with the statistical method and extrapolation used by the audit.

<u>REASON FOR DISALLOWANCE</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Total</u>
Net Universe for extrapolation	8,685	4,212	9,789	22,686
<u>Daily attendance method</u>				
Less than 3 Absences	6	2	5	13
Sample Size	143	135	142	420
Percentage Disallowance	4.20%	1.48%	3.52%	
Sample Universe	2,881	1,331	2,774	6,986
Extrapolated disallowances	121	20	98	239
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$2,162	\$366	\$1,853	\$4,381
<u>Period attendance method</u>				
Less than 3 Absences	6	4	7	17
Sample Size	146	143	147	436
Percentage Disallowance	4.11%	2.80%	4.76%	
Sample Universe	5,804	2,881	7,015	15,700
Extrapolated disallowances	239	81	334	654
Unit cost allowance	\$17.87	\$18.29	\$18.91	
Adjustment amount	\$4,271	\$1,481	\$6,316	\$12,068
<b>TOTAL ADJUSTMENT</b>	<b>&lt;\$6,433&gt;</b>	<b>&lt;\$1,847&gt;</b>	<b>&lt;\$8,169&gt;</b>	<b>&lt;\$16,449&gt;</b>

These 893 disallowed notifications (239 + 654) are based on the extrapolation of 30 (13 + 17) notifications disallowed for an insufficient number of absences, that is, less than the three required by the Education Code, to generate the notification. The District believes that these 30 notifications were properly generated by the attendance accounting system, but later

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some of the required of absences may have been "cleared" (reversed) based on subsequent information. The District concurs that the 30 notifications should be disallowed.

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the three fiscal years. Annual sample sizes of 135 to 147 notifications were selected each for both elementary and secondary schools, for a total of 856 notifications for the three years. Based on the claimed number of notifications for the

three years (22,686), it appears the sample size is about 4.0%. The results from this limited review were extrapolated to the sample universe and the claims were adjusted based on the extrapolation. The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review. This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### **Limitation of allowed costs**

For FY 2010-11, the audited findings resulted in a net increase in program costs of \$7,591: a \$9,438 increase from Finding 1, and a \$1,847 decrease from Finding 2. The District asserts that the auditor's decision not to increase the reimbursable mandate costs beyond those which were claimed results in an underpayment of reimbursable amounts. The stated basis for this limitation on allowable costs is Government Code Section 17568, cited in footnote 2 on page 4 of the draft audit report. The footnote states "that the State will not reimburse any claim more than one year after the filing deadline." Section 17568 pertains to the timely filing of an annual claim not to the amount or nature of audited reimbursable costs:

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Section 17568 does not limit the allowable amount of the annual claim, it only penalizes late claims. The District's annual claims were filed on time.

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San Jose Unified  
School District

Vincent Matthews, Ed.D.  
Superintendent

"Inspiring and Preparing for Success"


There is no Government Code section cited that prohibits the Controller from reimbursement of audited costs in excess of claimed costs. Government Code Section 17561(d)(2) (C) states: "The Controller shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years." The use of the word "shall" makes the adjustment of *both* underpayments and overpayments mandatory. Thus, auditors do not have the discretion to unilaterally determine that they will deny reimbursement for audit adjustments in favor of the State and simply ignore audit adjustments in favor of the claimants. The Controller, therefore, has the obligation to pay claimants any unclaimed allowable mandate cost discovered as the result of an audit. The \$7,591 should be reinstated for payment.

### Public Records Request

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,

  
Vincent C. Matthews, Ed.D.,  
Superintendent of Schools

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**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN JUAN UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2006, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

November 2011



**JOHN CHIANG**  
**California State Controller**

November 30, 2011

Lucinda Luttgen, President  
Board of Education  
San Juan Unified School District  
3738 Walnut Avenue  
Carmichael, CA 95608-0477

Dear Ms. Luttgen:

The State Controller's Office audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Glynn Thompson, Interim Superintendent  
San Juan Unified School District  
Kent Stephens, Chief Financial Officer  
San Juan Unified School District  
Fil Duldulao, Director of Accounting Services  
San Juan Unified School District  
David W. Gordon, Superintendent of Schools  
Sacramento County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,192,046 for the mandated program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

## **Conclusion**

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the San Juan Unified School District claimed \$1,192,046 for costs of the Notification of Truancy Program. Our audit disclosed that \$1,086,513 is allowable and \$105,533 is unallowable. The State paid the district \$180,790. The State will pay allowable costs claimed that exceed the amount paid, totaling \$905,723, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on October 25, 2011. Kent Stephens, Chief Financial Officer, responded by letter dated November 2, 2011 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the San Juan Unified School District, the Sacramento County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

November 30, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>			
Number of initial truancy notifications	18,020	15,927	(2,093)
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15
Total program costs <sup>2</sup>	<u>\$ 291,023</u>	257,221	<u>\$ (33,802)</u>
Less amount paid by the State		(54,550)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 202,671</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Number of initial truancy notifications	17,534	16,177	(1,357)
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28
Total program costs <sup>2</sup>	<u>\$ 302,988</u>	279,539	<u>\$ (23,449)</u>
Less amount paid by the State		(9)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 279,530</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	16,382	14,851	(1,531)
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Total program costs <sup>2</sup>	<u>\$ 290,617</u>	263,457	<u>\$ (27,160)</u>
Less amount paid by the State		(65,849)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 197,608</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	17,203	16,021	(1,182)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs <sup>2</sup>	<u>\$ 307,418</u>	286,296	<u>\$ (21,122)</u>
Less amount paid by the State		(60,382)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 225,914</u>	
<u>Summary: July 1, 2006, through June 30, 2010</u>			
Total program costs	<u>\$ 1,192,046</u>	\$ 1,086,513	<u>\$ (105,533)</u>
Less amount paid by the State		(180,790)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 905,723</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Calculation differences due to rounding.

# Finding and Recommendation

## **FINDING— Non-reimbursable initial truancy notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$105,533. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district claimed. We used statistical samples so that we could project each sample's results to the applicable population. The district used either daily attendance accounting or period attendance accounting, depending on the student's grade level. Therefore, we stratified each fiscal year's population into two groups.

The district's attendance records show that some of its initial truancy notifications claimed are non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications identified in our statistical samples:

	Fiscal Year			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Number of unexcused absences and tardiness occurrences accumulated during the school year:				
Daily attendance accounting:				
Fewer than three while between ages 6 and 18	(20)	(16)	(22)	(1)
Fewer than three total	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>(2)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(26)</u>	<u>(19)</u>	<u>(24)</u>	<u>(3)</u>
Period attendance accounting:				
Fewer than three while between ages 6 and 18	(9)	(5)	(4)	(9)
Fewer than three total	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(5)</u>
Unallowable initial truancy notifications, period attendance accounting	<u>(9)</u>	<u>(5)</u>	<u>(5)</u>	<u>(14)</u>

The following table summarizes the audit adjustment based on the number of unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Daily attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(26)	(19)	(24)	(3)	
Statistical sample size	÷ 148	÷ 147	÷ 147	÷ 146	
Unallowable percentage	(17.57)%	(12.93)%	(16.33)%	(2.05)%	
Population sampled	× 8,680	× 8,001	× 7,545	× 6,006	
Extrapolated number of unallowable initial truancy notifications	(1,525)	(1,035)	(1,232)	(123)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, daily attendance accounting <sup>1</sup>	\$ (24,629)	\$ (17,885)	\$ (21,856)	\$ (2,198)	\$ (66,568)
Period attendance accounting:					
Number of unallowable initial truancy notifications from statistical sample	(9)	(5)	(5)	(14)	
Statistical sample size	÷ 148	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(6.08)%	(3.38)%	(3.38)%	(9.46)%	
Population sampled	× 9,340	× 9,533	× 8,837	× 11,197	
Extrapolated number of unallowable initial truancy notifications	(568)	(322)	(299)	(1,059)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	× \$17.87	
Unallowable costs, period attendance accounting <sup>1</sup>	\$ (9,173)	\$ (5,564)	\$ (5,304)	\$ (18,924)	(38,965)
Audit adjustment	\$ (33,802)	\$ (23,449)	\$ (27,160)	\$ (21,122)	\$ (105,533)

<sup>1</sup> Calculation difference due to rounding.

Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The program's parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

## Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

## District's Response

### Audit by sampling

. . . Annual sample sizes of 146 to 148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. . . .

### Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

### Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe. . . .

### SCO's Comment

Our finding and recommendation is unchanged. The district did not provide additional documentation to refute the audit findings. We have the following comments on the district's response:

#### **Audit by Sampling**

The district concludes that the SCO based its audit finding on the "wrong standard for review" and that the SCO may reduce only those claims that it determines to be excessive or unreasonable. We disagree. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

The SCO did, in fact, conclude that the district's claim was excessive. "Excessive" is defined as "exceeding what is usual, *proper*, *necessary* [emphasis added], or normal."<sup>1</sup> The district's mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, "The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence." Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district alleges that this audit *may have potential* factual problems with the sample and conclusions that *may not* be representative of the universe. The district provided no specific, factual documentation to support its allegations.

#### **Number of Absences Required**

The district states, ". . . 19 [notifications] were deemed unallowable because the students had only three *documented* absences during the school year. . . ." Although the district conceded this portion of the audit adjustment, the district's comment is factually inaccurate. From the statistical samples, we identified 19 unallowable notifications because the district documented *fewer than* three unexcused absences or tardiness occurrences during the school year.

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<sup>1</sup> Merriam-Webster Collegiate Dictionary, Tenth Edition, 2001.



### **Age of Student**

The district does not distinguish between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are not subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

### **OTHER ISSUES**

The district's response included other comments related to the mandated cost claims. The district's comments and SCO's responses are presented below.

#### **Statute of limitations**

##### District's Response

... The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. ...

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 [Statutes of 2004, Chapter 890, Section 18] because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

##### SCO's Comment

Our finding and recommendation is unchanged. The district infers that the audit did not commence until the entrance conference date of February 15, 2011. We disagree.

The SCO initiated the audit on January 24, 2011, by telephone call to Michael Dencavage, the district's former Chief Financial Officer. On the same date, we requested supporting documentation from the district and the district responded that it was retrieving the requested documentation. Therefore, the SCO initiated the audit within three years of the date that the district filed its claim.

#### **Management representation letter**

##### District's Response

The District will not be providing the requested written management representation letter. ...

##### SCO's Comment

Our finding and recommendation is unchanged. We modified our audit report to disclose that the district declined to provide the written representation letter that is recommended by generally accepted government auditing standards.

**Public records  
request**

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law. . . .

SCO's Comment

The SCO responded to the district's request by separate letter dated November 7, 2011.

The district's request is misleading. The district infers that all unallowable initial truancy notifications were notifications "sent to students whose attendance is otherwise required by law."

Of the 105 unallowable notifications identified in our statistical sample results, only 19 notifications are applicable to students whose absences occurred during periods when their attendance was required by law. The district sent the remaining notifications for students who accumulated absences during periods that the students' attendance was not mandatory pursuant to Education Code section 48200.

**Attachment—  
District’s Response to  
Draft Audit Report**

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## San Juan Unified School District

### *Budget Services*

3738 Walnut Ave., Carmichael, CA 95608

P. O. Box 477, Carmichael, CA 95609-0477

Telephone (916) 971-7678 ☎ Fax (916) 971-7255

Internet Web Site: [www.sanjuan.edu](http://www.sanjuan.edu)

Glynn Thompson, Interim Superintendent of Schools

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 2, 2011

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 498, Statutes of 1983  
Notification of Truancy  
Fiscal Years: 2006-07, 2007-08, 2008-09, and 2009-10  
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated October 25, 2011, that transmitted the draft audit report of the District's Notification of Truancy mandate annual reimbursement claims for the period of July 1, 2006 through June 30, 2010.

The findings involve legal issues that are the subject of several incorrect reduction claims, including two filed by this District, still pending hearing by the Commission on State Mandates, and cannot be resolved for this audit without the findings from the Commission. Therefore, the District will be filing an incorrect reduction from this audit to preserve its rights.

#### **Finding - Non-reimbursable initial truancy notifications**

The District claimed \$1,192,046 for the four fiscal years that are the subject of this audit. The draft audit report concludes that \$105,533 is not allowable for the audit period.

#### Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the four fiscal years. Annual sample sizes of 146 to

148 notifications were selected each for elementary and secondary schools, for a total of 1,180 notifications for the four years. Based on the claimed number of notifications for the four years (69,139), it appears the sample size is approximately 1.7%. The results from this review of less than two-percent of the total number of notices were extrapolated to the sample universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in Government Code Section 17561, subdivision (d) (2). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### Number of absences required

Of the 1,180 notifications sampled, 19 were deemed unallowable because the students had only three *documented* absences during the school year. The District believes it properly complied with state law and issued truancy notifications after three absences but has been unable to locate the requested supporting documentation, and therefore will concede this adjustment based on insufficient documentation.

#### Age of student

Of the 1,180 notifications sampled, 86 were deemed unallowable because the student was not between the ages of 6 and 18 years and therefore outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

This issue is the subject of appeals pending decision by the Commission on State Mandates.

#### **Statute of Limitations**

This is not an audit finding. The District asserts that the audit of the FY 2006-07 annual reimbursement claim commenced after the time limitation for audit had passed. Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended Section 17558.5, subdivision (a), to state:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

The annual reimbursement claim for FY 2006-07 is subject to this version of Section 17558.5 because the claim was filed on February 14, 2008. The entrance conference was conducted on February 15, 2011, which is more than three years after the date the annual claim was filed as well as more than three years after the date of first payment (\$54,550) on this annual claim which occurred on March 12, 2007.

#### **Management Representation Letter**

The District will not be providing the requested written management representation letter since it could be construed as a waiver of future appeal rights. The District did respond verbally to questions from the auditor related to internal control procedures, to the apparent satisfaction of the auditor since there are no audit findings stated for those issues.

#### **Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,



Kent Stephens, Chief Financial Officer  
San Juan Unified School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN JUAN UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 1999, through June 30, 2002*



**JOHN CHIANG**  
California State Controller

November 2009





**JOHN CHIANG**  
California State Controller

November 25, 2009

Richard Launey, President  
Board of Education  
San Juan Unified School District  
P.O. Box 477  
Carmichael, CA 95609-0477

Dear Mr. Launey:

The State Controller's Office audited the claims filed by San Juan Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002. This revised report supersedes our previous report, issued December 30, 2004. We revised the final report to present the audit results for fiscal year (FY) 1999-2000, FY 2000-01, and FY 2001-02 based on a stratified sampling methodology. The revised allowable costs increased by \$21,130.

The district claimed \$578,710 for the mandated program. Our audit disclosed that \$491,398 is allowable and \$87,312 is unallowable. The costs are unallowable primarily because the district claimed costs of notifications issued to pupils with fewer than four trancies. The district was paid \$470,268. Allowable costs claimed exceed the amount paid by \$21,130.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site link at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/wm

cc: Pat Jaurequi, Ed.D  
    Superintendent of Schools  
    San Juan Unified School District  
Dina Geiss, CPA  
    Director of Accounting and Business Support Services  
    San Juan Unified School District  
David W. Gordon, County Superintendent of Schools  
    Sacramento County Office of Education  
Scott Hannan, Director  
    School Fiscal Services Division  
    California Department of Education  
Carol Bingham, Director  
    Fiscal Policy Division  
    California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
    Education Systems Unit  
    Department of Finance

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the San Juan Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

The district claimed \$578,710 for the mandated program. The audit disclosed that \$491,398 is allowable and \$87,312 is unallowable. The costs are unallowable primarily because the district claimed costs of notifications issued to pupils with fewer than four trancies. The district was paid \$470,268. Allowable costs claimed exceed the amount paid by \$21,130.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to Education Code section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in Education Code section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandated program and define the reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted our audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, San Juan Unified School District claimed \$578,710 for costs of the Notification of Truancy Program. Our audit disclosed that \$491,398 is allowable and \$87,312 is unallowable.

For fiscal year (FY) 1999-2000, the district was paid \$143,739 by the State. Our audit disclosed that \$152,386 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$8,647, will be paid by the State based upon available appropriations.

For FY 2000-01, the district was paid \$143,543 by the State. Our audit disclosed that \$153,766 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$10,223, will be paid by the State based upon available appropriations.

For FY 2001-02, the district was paid \$182,986 by the State. Our audit disclosed that \$185,246 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$2,260, will be paid by the State based upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on October 28, 2004. Dina Geiss, CPA, Director of Business Support Services for the district, responded by e-mail on November 29, 2004. Ms. Geiss stated that the district will not respond to the draft report.

**Follow-up  
Correspondence**

In a letter to the CSM, dated February 4, 2008, the district questioned our application of sampling results to determine audit adjustments. The audit report stated that we conducted a stratified sample for elementary and special education students, and middle and high school students. The results from each sample were combined and extrapolated to the total population of notifications claimed for each fiscal year to determine unallowable notifications. While the samples were representative for each student population, the results of the sampling were incorrectly applied to all students in the audit report. Consequently, our extrapolation was not accurate. Therefore, we recomputed the extrapolation for each sampled population separately and made corresponding changes in our audit adjustments. The revised allowable costs increased by \$21,130.

We discussed the revised audit results with Dina Geiss, Director of Accounting and Business Support Services, on September 3, 2009. Michael Dencavage, Chief Financial Officer, responded by letter dated October 30, 2009, disagreeing with the use of our statistical sampling methodology. This revised final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the San Juan Unified School District, the Sacramento County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

November 25, 2009

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Number of truancy notifications	14,591	12,460	(2,131)	
Uniform cost allowance	× \$12.23	× \$12.23	× \$12.23	Findings 1, 2
Total program costs	<u>\$ 178,448</u>	\$ 152,386	<u>\$ (26,062)</u>	
Less amount paid by the State		<u>(143,739)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,647</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Number of truancy notifications	14,413	12,079	(2,334)	
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	Finding 2
Total program costs	<u>\$ 183,477</u>	\$ 153,766	<u>\$ (29,711)</u>	
Less amount paid by the State		<u>(143,543)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,223</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of truancy notifications	16,792	14,349	(2,443)	
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	Finding 2
Total program costs	<u>\$ 216,785</u>	\$ 185,246	<u>\$ (31,539)</u>	
Less amount paid by the State		<u>(182,986)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,260</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Total program costs	<u>\$ 578,710</u>	\$ 491,398	<u>\$ (87,312)</u>	
Less amount paid by the State		<u>(470,268)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 21,130</u>		

<sup>1</sup> See the Revised Findings and Recommendations section.

# Revised Findings and Recommendations

**FINDING 1—  
Overclaimed number  
of initial truanancies**

The district claimed 11 initial truanancies, totaling \$135, that were not supported by its attendance records for FY 1999-2000 claimed costs. It appears that the district made a claim preparation error when transferring data from the Attendance Letter Tracking Report to the Notification of Truancy claim forms.

Recommendation

We recommend the district establish policies and procedures to ensure that all claimed costs are fully supported.

**FINDING 2—  
Unallowable costs  
relating to initial  
truanancies**

The district claimed \$87,177 during the audit period for initial truancy notification forms distributed to a pupil’s parent or guardian that were not reimbursable. The pupils did not accumulate the required number of unexcused absences to be classified as truant under the mandate program.

The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Allowable per audit	\$ 152,521	\$ 153,766	\$ 185,246	\$ 491,533
Less actual costs claimed	(178,448)	(183,477)	(216,785)	(578,710)
Audit adjustment	<u>\$ (25,927)</u>	<u>\$ (29,711)</u>	<u>\$ (31,539)</u>	<u>\$ (87,177)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. For each fiscal year, we stratified the total population into two groups: elementary and special education students, and middle and high school students. For elementary and special education students, we selected a sample of 146 pupils during the first two fiscal years audited and 147 during the third fiscal year audited. For middle and high school students, we selected a sample of 148 pupils for all three fiscal years.

The following table summarizes unallowable truancy notifications claimed:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Elementary School and Special Education:				
Number of unallowable truancy notifications	52	62	38	
Truant pupils sampled	÷ 146	÷ 146	÷ 147	
Unallowable percentage	(35.61)%	(42.47)%	(25.85)%	
Supported number of truancy notifications claimed	× 5,049 <sup>1</sup>	× 5,203	× 7,509	
Projected number of unallowable truancy notifications	(1,798)	(2,210)	(1,941)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	



	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Total unallowable truancy notifications claimed, elementary school and special education	\$ (21,989)	\$ (28,133)	\$ (25,058)	\$ (75,180)
Middle and High School:				
Number of unallowable truancy notifications	5	2	8	
Truant pupils sampled	÷ 148	÷ 148	÷ 148	
Unallowable percentage	(3.38)%	(1.35)%	(5.41)%	
Number of truancy notifications claimed	9,531	9,210	9,283	
Projected number of unallowable truancy notifications	(322)	(124)	(502)	
Uniform cost allowance	× \$12.23	× \$12.73	× \$12.91	
Total unallowable truancy notifications claimed, middle and high schools	\$ (3,938)	\$ (1,578)	\$ (6,481)	(11,997)
Total audit adjustment	\$ (25,927)	\$ (29,711)	\$ (31,539)	\$ (87,177)

<sup>1</sup> Net of 11 unsupported truanancies identified in Finding 1.

For FY 1999-2000, we sampled 294 of the notifications claimed, as noted above. Of these notifications, 52 are unallowable for elementary and special education students, and five notifications are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 57 total unallowable notifications included one that was issued to a middle and high school student, and five that were issued to elementary and special education pupils who had fewer than three unexcused absences during the entire school year.

For FY 2000-01, we sampled 294 of the notifications claimed, as noted above. Of these notifications, 62 are unallowable for elementary and special-education students, and two are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 64 total unallowable notifications included one that was issued to a middle and high school student, and eight that were issued to elementary and special education students who had fewer than three unexcused absences during the entire school year.

For FY 2001-02, we sampled 295 of the notifications claimed, as noted above. Of these notifications, 38 are unallowable for elementary and special education students, and eight are unallowable for middle and high school students. The notifications are unallowable because they were issued to pupils who did not have four or more unexcused absences during the entire school year. We also noted that the 46 total unallowable notifications included one that was issued to an elementary and special-education pupil who had fewer than three unexcused absences during the entire school year.

The parameters and guidelines, as amended by the CSM on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping. The parameters and guidelines state that truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. The parameters and guidelines also state that the uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is to be adjusted each subsequent year by the Implicit Price Deflator.

#### Recommendation

We recommend the district claim reimbursement under the Notification of Truancy Program in a manner that is consistent with the parameters and guidelines. The parameters and guidelines in effect for the audit period state that reimbursement is for truancy notifications applicable to pupils who are absent from school without a valid excuse for more than three days or tardy in excess of 30 minutes on each of more than three occasions in one school year. Although Education Code section 48260, subdivision (a) (as amended in 1994) defines a truant student as one who is absent from school without a valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, the parameters and guidelines require at least four unexcused absences to be classified as a reimbursable truant.

On January 31, 2008, the CSM adopted amended parameters and guidelines pursuant to Chapter 69, Statutes of 2007 (Assembly Bill 1698). The amended parameters and guidelines are now consistent with Education Code section 48260, subdivision (a), as amended in 1994. Accordingly, reimbursement is now allowable for notifications sent to parents or guardians upon a student's absence from school without valid excuse for three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. In addition the notification letter must contain the eight elements required by statute. The amended parameters and guidelines are applicable for claims filed for FY 2006-07 and subsequent fiscal years.

**FINDING 3—  
Improper attendance  
accounting procedures  
of student truanies**

The district did not use proper attendance accounting procedures for student truanies in middle and high schools for the period of July 1, 1999, through June 30, 2002. Our review of attendance records indicated that the district classified the middle and high school students as truants only if the student had accumulated three days worth of “period” absences. In some cases, students with a sufficient number of unexcused absences to be classified as truants were not being classified as truants by the district. The district’s attendance accounting procedures for student truanies did not meet the criteria specified in Section I of the parameters and guidelines or language contained in Education Code section 48260, subdivision (a).

We randomly sampled 444 of 28,024 middle and high school truancy notifications claimed. All of the notifications in the sample were documented using improper attendance accounting procedures for student truanies. Since initial notification letters were distributed later than would have been the case had proper attendance accounting procedures been followed, no dollar amount will be assigned to this non-compliance issue based solely on the timing of letter distributions. Unallowable costs related to notifications issued to pupils who did not have four or more unexcused absences are discussed in Finding 2.

The parameters and guidelines (section I) states, “A truancy occurs when a student is absent from school without valid excuse more than three (3) days *or* (emphasis added) is tardy in excess of thirty (30) minutes on each of more than three (3) days in one school year”. Currently, Education Code section 48260, subdivision (a) more explicitly defines truancy as:

Any pupil subject to compulsory full-time education or to compulsory continuation education who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, **or any combination thereof** [emphasis added]. . . .

Recommendation

We recommend that the district develop adequate truancy accounting policies and procedures consistent with Education Code section 48260, subdivision (a) and of the parameters and guidelines, section I, to ensure that all claimed costs are eligible and properly supported.

**Attachment—  
District’s Response to  
Draft Audit Report**

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San Juan Unified School District  
*Business Services*  
3738 Walnut Avenue, Carmichael, California 95608  
P.O. Box 477, Carmichael, California 95609-0477  
Telephone (916) 971-7238;  
Internet Web Site: [www.sanjuan.edu](http://www.sanjuan.edu)

Dr. Pat Jaurequi, Superintendent of Schools

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 30, 2009

Jim L. Spano, Chief Mandated Cost Audits Bureau  
Division of Audits State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 498, Statutes of 1983  
Notification of Truancy  
Fiscal Years: 1999-00, 2000-01, and 2001-02  
REVISED AUDIT REPORT  
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated October 9, 2009, and received by the District by email from Jim Venneman on October 13, 2009, that transmitted the draft *revised* audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 1999 through June 30, 2002.

The revised audit report increases the allowable costs by \$21,130. An email dated September 3, 2009, from Jim Venneman states that this change is a result in extrapolating the sample results separately to the two sampling populations rather than one extrapolation to the entire population. Mr. Venneman states that this is a more accurate application of the sample findings.

This audit is already the subject of an incorrect reduction claim filed December 17, 2007. The incorrect reduction claim disputes the applicability of the statistical sampling method for several reasons, one of which was the combined extrapolation. However, none of the other procedural and factual disputes have been changed by the findings of the revised report, so the incorrect reduction claim will proceed.

Sincerely,

Michael Dencavage, Chief Financial Officer  
San Juan Unified School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SAN JUAN UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983,  
and Chapter 1023, Statutes of 1994

*July 1, 2002, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

September 2009



**JOHN CHIANG**  
**California State Controller**

September 4, 2009

Richard Launey, President  
Board of Education  
San Juan Unified School District  
3738 Walnut Avenue  
Carmichael, CA 95608-3054

Dear Mr. Launey:

The State Controller's Office audited the costs claimed by San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2006.

The district claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$619,133. Allowable costs claimed exceed the amount paid by \$172,577.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk



cc: Patricia Jaurequi, Superintendent  
San Juan Unified School District  
Michael Dencavage, Chief Financial Officer  
San Juan Unified School District  
Sharon Rew, Internal Auditor  
San Juan Unified School District  
David W. Gordon, County Superintendent of Schools  
Sacramento County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by San Juan Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983, and Chapter 1023, Statutes of 1994) for the period of July 1, 2002, through June 30, 2006.

The district claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable. The costs are unallowable because the district claimed non-reimbursable initial truancy notifications. The State paid the district \$619,133. Allowable costs claimed exceed the amount paid by \$172,577.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2002, through June 30, 2006.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, San Juan Unified School District claimed \$924,556 (\$926,556 less a \$2,000 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$791,710 is allowable and \$132,847 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the district \$131,013. Our audit disclosed that \$126,618 is allowable. The State will offset \$4,395 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2003-04 claim, the State paid the district \$229,909. Our audit disclosed that \$177,004 is allowable. The State will offset \$52,905 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$258,211. Our audit disclosed that \$248,415 is allowable. The State will offset \$9,796 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$239,673 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on August 6, 2009. Michael Dencavage, Chief Financial Officer, responded by letter dated August 19, 2009 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the San Juan Unified School District, the Sacramento County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

September 4, 2009

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2006**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment <sup>1</sup></u>
<u>July 1, 2002, through June 30, 2003</u>			
Number of initial truancy notifications	10,001	9,668	(333)
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20
Subtotal	132,013	127,618	(4,396)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 131,013</u>	126,618	<u>\$ (4,396)</u>
Less amount paid by the State		(131,013)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,395)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Number of initial truancy notifications	16,904	13,031	(3,873)
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66
Subtotal	230,909	178,004	(52,905)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 229,909</u>	177,004	<u>\$ (52,905)</u>
Less amount paid by the State		(229,909)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (52,905)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Number of initial truancy notifications	18,082	17,396	(686)
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28
Total program costs	<u>\$ 258,211</u>	248,415	<u>\$ (9,796)</u>
Less amount paid by the State		(258,211)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (9,796)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Number of initial truancy notifications	19,654	15,423	(4,231)
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54
Total program costs	<u>\$ 305,423</u>	239,673	<u>\$ (65,750)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 239,673</u>	
<u>Summary: July 1, 2002, through June 30, 2006</u>			
Total costs	\$ 926,556	\$ 793,710	\$ (132,847)
Less late filing penalty	(2,000)	(2,000)	—
Total program costs	<u>\$ 924,556</u>	791,710	<u>\$ (132,847)</u>
Less amount paid by the State		(619,133)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 172,577</u>	

<sup>1</sup> See the Finding and Recommendation section.

# Finding and Recommendation

## **FINDING— Non-reimbursable initial truancy notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$132,847. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to qualify as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. The district accounts for elementary/K-8 school and secondary school attendance differently; therefore, we stratified the population into two groups.

For fiscal year (FY) 2002-03, the district claimed 10,001 initial truancy notifications. The district provided documentation that identified 9,999 truant students. The difference is immaterial; therefore, we conducted our statistical sample using a population of 9,999 truant students.

For FY 2005-06, the district claimed 19,654 initial truancy notifications. We selected our statistical sample based on a total population of 19,614 truant students. The district subsequently provided additional documentation supporting the additional 40 students. We allowed those students; however, we excluded them from the statistical sample and the extrapolation of the statistical sample results.

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during the fiscal year. The district claimed unallowable notifications for the following reasons:

- The student accumulated only three unexcused absences or tardiness occurrences.
- The student accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- The student accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the unallowable initial truancy notifications identified in our statistical sample:

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
<u>Elementary/K-8 Schools</u>				
Accumulated only three unexcused absences and tardiness occurrences	—	(38)	—	(31)
Accumulated fewer than four unexcused absences and tardiness occurrences while between ages 6 and 18	—	(14)	—	(10)
Accumulated fewer than three unexcused absences and tardiness occurrences	—	(1)	—	(15)
Total, elementary/K-8 schools	<u>—</u>	<u>(53)</u>	<u>—</u>	<u>(56)</u>
<u>Secondary Schools</u>				
Accumulated only three unexcused absences and tardiness occurrences	(8)	(6)	(5)	(1)
Accumulated fewer than four unexcused absences and tardiness occurrences while between ages 6 and 18	(5)	(10)	(4)	(8)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(2)</u>	<u>(2)</u>	<u>(1)</u>	<u>(1)</u>
Total, secondary schools	<u>(15)</u>	<u>(18)</u>	<u>(10)</u>	<u>(10)</u>

The following table summarizes the number of unallowable initial truancy notifications, the statistical sample size, the unallowable percentage, and the extrapolated audit adjustment.

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
<u>Elementary/K-8 Schools</u>					
Number of unallowable initial truancy notifications from statistical sample		(53)		(56)	
Statistical sample size		÷ 147		÷ 148	
Unallowable percentage		(36.05)%		(37.84)%	
Number of initial truancy notifications documented		× 7,609		× 9,347	
Number of unallowable initial truancy notifications		(2,743)		(3,537)	
Uniform cost allowance		× \$13.66		× \$15.54	
Subtotal		\$ (37,469)		\$ (54,965)	\$ (92,434)
<u>Secondary Schools</u>					
Number of unallowable initial truancy notifications from statistical sample		(15)	(18)	(10)	(10)
Statistical sample size	÷ 143	÷ 148	÷ 149	÷ 148	
Unallowable percentage	(10.49)%	(12.16)%	(6.71)%	(6.76)%	
Number of initial truancy notifications documented	× 3,176	× 9,295	× 10,227	× 10,267	
Number of unallowable initial truancy notifications	(333)	(1,130)	(686)	(694)	
Uniform cost allowance	× \$ 13.20	× \$13.66	× \$14.28	× \$15.54	
Subtotal	\$ (4,396)	\$ (15,436)	\$ (9,796)	\$ (10,785)	(40,413)
Audit adjustment	\$ (4,396)	\$ (52,905)	\$ (9,796)	\$ (65,750)	\$(132,847)



Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

In addition, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2002-03 through FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between ages 6 and 18.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### District's Response

#### Audit by sampling

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the

errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. Some of the samples selected may be students who attend alternative education programs. One of the several reasons that students attend alternative education programs is that they were absent frequently from regular schools. Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school.

#### Number of absences required

The majority of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's action is without legal authority.

#### Age of student

Many of the sampled notifications were disallowed because the student was younger than 6 years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

#### SCO's Comment

Our finding and recommendation are unchanged. The district did not provide additional documentation to refute the audit finding. We have the following comments on the district's response:

#### **Audit by Sampling**

The district incorrectly concludes that the SCO based its audit finding on the "wrong standard for review" and that the SCO may reduce only those claims that it determines are excessive or unreasonable. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. Government Code section 17561, subdivision (d)(2), allows the SCO to audit the district's records to verify *actual* mandate-related costs. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

In any case, the SCO did in fact conclude that the district's claim was excessive. "Excessive" is defined as "exceeding what is usual, *proper*, *necessary*, [emphasis added] or normal."<sup>1</sup> The district's mandated cost claims exceeded the proper amount based on the reimbursable costs that the parameters and guidelines identify.

The SCO conducted its audit according to generally accepted government auditing standards (*Government Auditing Standards*, issued by the U.S. Government Accountability Office, July 2007). *Government Auditing Standards*, section 1.03 states, "The professional standards and guidance contained in this document . . . provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence." Generally accepted government auditing standards require the auditor to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The standards recognize statistical sampling as an acceptable method to provide sufficient, appropriate evidence.

The district believes that the sample results *may* not be representative of the population because the audit sample *may* have included alternative education students. The district concludes by stating, "Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school." In fact, the opposite is true. An appropriate random, statistical sample may include some alternative education students because those students are part of the truancy population. The district's response provides no evidence showing that the audit sample included a disproportionate number of alternative education students compared to the truancy population. The same argument holds true for students who were younger than age 6 or older than age 17.

### **Number of Absences Required**

The district confuses the difference between its statutory responsibility versus mandate-related reimbursable costs. Reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. For the audit period, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year.

Pursuant to Government Code section 17550 et al., school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

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<sup>1</sup> Merriam-Webster's Collegiate Dictionary, Tenth Edition, 2001.

**Age of Student**

The district confuses the difference between its statutory responsibility to enroll students versus its responsibility to issue initial truancy notification letters. Although the district might be obligated to enroll students younger than age 6 or older than age 17, those students are *not* subject to compulsory attendance requirements. Therefore, for initial truancy notification purposes, it is irrelevant whether students are absent when they are younger than age 6 or older than age 17.

**OTHER ISSUE—  
Public records  
request**

The district's response included a public records request. The district's response and SCO's comment are as follows:

District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

SCO's Comment

The SCO provided the district the requested records by separate letter dated September 4, 2009.

**Attachment—  
District’s Response to  
Draft Audit Report**

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## San Juan Unified School District

### *Business Services*

3738 Walnut Avenue, Carmichael, California 95608

P.O. Box 477, Carmichael, California 95609-0477;

Telephone (916) 971-7238; FAX (916) 979-8215; E-Mail MDencavage@sanjuan.edu

Internet Web Site: [www.sanjuan.edu](http://www.sanjuan.edu)

---

Dr. Pat Jaurequi, Superintendent of Schools

August 19, 2009

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Chapter 498, Statutes of 1983  
Notification of Truancy  
Fiscal Years: 2002-03, 2003-04, 2004-05, and 2005-06  
San Juan Unified School District

Dear Mr. Spano:

This letter is the response of the San Juan Unified School District to the letter from Jeffrey V. Brownfield, Chief, Division of Audits, dated August 6, 2009, and received by the District on August 10, 2009, that transmitted the draft audit report of the District's Notification of Truancy mandate reimbursement claims for the period of July 1, 2002 through June 30, 2006.

### **Finding - Non-reimbursable initial truancy notifications**

The draft audit report concludes that the District claimed costs for non-reimbursable initial truancy notifications in the amount of \$132,847 for the audit period.

#### Audit by sampling

The draft audit report states that this finding is based on a statistical sample of truancy notifications actually examined for the four fiscal years. The draft audit report does not indicate the sample size or universe for every fiscal year, only those fiscal years with findings. However, it appears that a sample of about 148 notifications was selected for both elementary and secondary schools each year, or a total of about 1,184 notifications for the four years. Based on the claimed number of notifications for the four years (64,641), it appears the sample size is approximately 1.8%. The results from this review of less than two-percent of the total number of notices were extrapolated to the universe and the claims were adjusted based on the extrapolation.

The draft audit report has cited no statutory or regulatory authority to allow the Controller to reduce claimed reimbursement based on an extrapolation of a statistical sample. The Controller does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)). It would, therefore, appear that the entire findings are based upon the wrong standard for review.

Aside from the legal basis for sampling, there are potential factual problems with the sample students selected. The ultimate risk for extrapolating findings from a sample is that the conclusions obtained from the sample may not be representative of the universe. That is, the errors perceived from the sample do not occur at the same rate in the universe. That is what may have occurred in this audit. Some of the samples selected may be students who attend alternative education programs. One of the several reasons that students attend alternative education programs is that they were absent frequently from regular schools. Thus, to the extent that these students appear in the sample, they are not representative of the universe, because they are chronically tardy or absent from school.

#### Number of absences required

The majority of the sampled notifications disallowed were deemed unallowable because the students had only three absences during the school year. Education Code Section 48260 was amended, effective January 1, 1996, to require a student to be classified as a truant after only three tardies or absences, rather than the four previously required. However, the Parameters and Guidelines were not amended until January 31, 2008 (effective July 1, 2006), to reflect the change in statute.

The Controller's auditors have chosen to enforce the definition of a truant as it was stated in the Parameters and Guidelines prior to the amendment, even though it contradicts a statute in effect during the audit period. The District properly complied with state law when it issued truancy notifications after three absences, rather than waiting for a fourth absence as required by the Parameters and Guidelines. Therefore, the Controller's action is without legal authority.

#### Age of student

Many of the sampled notifications were disallowed because the student was younger than 6 years or older than 17 years, which is outside the scope of the compulsory attendance law (Education Code Section 48200). However, the District has distinct statutory duties to enroll some children who are five years old by December 2 of the year of enrollment as well as continue to enroll special education students through age 21. To the extent that these particular circumstances occur for any of the sampled students, the disallowance is without legal authority and the sampled student is statistically not representative of the universe.

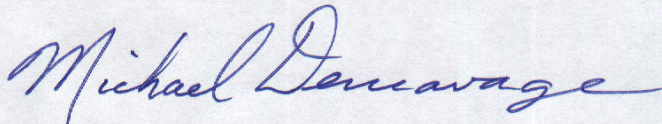
### **Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period relevant to the

findings, and specifically, the Controller's legal authority to use statistical sampling to adjust claims and to disallow notices sent to students whose attendance is otherwise required by law.

Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefor. Also, as required, when so notifying the District please state the estimated date and time when the records will be made available.

Sincerely,

A handwritten signature in blue ink that reads "Michael Dencavage". The signature is written in a cursive style with a large initial "M".

Michael Dencavage, Chief Financial Officer  
San Juan Unified School District

Cc: Dr. Pat Jaurequi, Superintendent  
Sharon Rew, Internal Auditor



**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2000, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

September 2005



**STEVE WESTLY**  
California State Controller

September 30, 2005

Al Mijares, Ph.D., Superintendent  
Santa Ana Unified School District  
1601 East Chestnut Avenue  
Santa Ana, CA 92701-6322

Dear Dr. Mijares:

The State Controller's Office audited the claims filed by the Santa Ana Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003.

The district claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State paid the district \$169,897.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/ams

cc: Don Stabler

Associate Superintendent  
Business Services  
Santa Ana Unified School District

Socorro Barron  
Director of Pupil Support Services  
Santa Ana Unified School District

William M. Habermehl  
County Superintendent of Schools  
Orange County Office of Education

Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education

Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Santa Ana Unified School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was September 21, 2004.

The district claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State paid the district \$169,897.

## Background

*Education Code* Section 48260.5, added by Chapter 498, Statutes of 1983, requires school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means: (1) of the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution; (4) of alternative educational programs available in the district, and (5) of the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts that is reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures, as recommended by *Government Auditing Standards*. However, the district did not respond to our request.

## Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Santa Ana Unified School District claimed \$736,013 (\$737,013 less a \$1,000 penalty for filing a late claim) for Notification of Truancy Program costs. Our audit disclosed that \$26,596 is allowable and \$709,417 is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$60,251. Our audit disclosed that none of the costs claimed are allowable. The district should return the total amount to the State.

For FY 2001-02, the State paid the district \$109,646. Our audit disclosed that \$9,212 is allowable. The district should return \$100,434 to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that \$17,384 is allowable. The State will pay the allowable costs, contingent upon available appropriations.

## Views of Responsible Officials

The SCO issued a draft report on March 30, 2005. The district responded by letter dated July 22, 2005, requesting additional time to complete its review and respond to the draft audit report. The district stated that it lacked sufficient information to agree or disagree with Finding 1, but that it disagreed with Finding 2. The district provided additional documentation for Finding 2, which resulted in a reduction of total audit findings by \$12,364, from \$721,781 to \$709,417. This final report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Santa Ana Unified School District, the Orange County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits



## Schedule 1— Summary of Program Costs July 1, 2000, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Number of notifications	23,182	—	(23,182)	Findings 1, 2
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73	
Total costs	295,107	—	(295,107)	
Less late penalty	—	—	—	
Total program costs	<u>\$ 295,107</u>	—	<u>\$ (295,107)</u>	
Less amount paid by the State		(60,251)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (60,251)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Number of notifications	15,898	791	(15,107)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total costs	205,243	10,212	(195,031)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 204,243</u>	9,212	<u>\$ (195,031)</u>	
Less amount paid by the State		(109,646)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (100,434)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of notifications	17,929	1,317	(16,612)	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Total costs	236,663	17,384	(219,279)	
Less late penalty	—	—	—	
Total program costs	<u>\$ 236,663</u>	17,384	<u>\$ (219,279)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,384</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Total costs	\$ 737,013	\$ 27,596	\$ (709,417)	
Less late penalty	(1,000)	(1,000)	—	
Net cost	<u>\$ 736,013</u>	26,596	<u>\$ (709,417)</u>	
Less amount paid by the State		(169,897)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (143,301)</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

**FINDING 1—  
Overclaimed number  
of initial truanancies**

The district claimed 13,341 notifications of initial truancy, totaling \$171,041, that were not supported by attendance records for the period of July 1, 2000 through June 30, 2003.

For the audit period, the district was unable to reconcile the total number of initial truancy notification forms claimed to the number of pupils who were truant, based on attendance files. The district claimed 57,009 initial truancy notifications. The attendance files for the period showed 50,326 initially truant pupils. In addition, the district double-claimed 6,658 truanancies. The district explained that the differences were due to a change in its attendance accounting system.

The difference between the claimed number of truanancies and the number of truanancies per the attendance records are as follows:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Truanancies per district attendance records	22,233	10,332	17,761	50,326
Duplicated attendance records	(5,940)	(718)	—	(6,658)
Adjusted truanancies per district attendance records	16,293	9,614	17,761	43,668
Truanancies per claim	(23,182)	(15,898)	(17,929)	(57,009)
Difference	(6,889)	(6,284)	(168)	(13,341)

The unsupported initial truancy notifications claimed, at the uniform cost allowance rate described in the *Parameters and Guidelines*, are described as follows:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Unsupported initial truancy notifications claimed	(6,889)	(6,284)	(168)	(13,341)
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Audit adjustment	\$ (87,697)	\$ (81,126)	\$ (2,218)	\$ (171,041)

Recommendation

We recommend the district establish and implement procedures to ensure that all costs claimed are supported.

District’s Response

The District lacks sufficient information at this time to determine whether it agrees or disagrees with this Finding.

SCO’s Comment

The finding and recommendation remain unchanged. The district did not provide additional documentation to refute this finding.

**FINDING 2—  
Unallowable cost  
relating to number of  
initial truancy  
notifications distributed**

For the audit period, the district claimed \$538,376 for 41,560 initial truancy notifications that were not supported.

From the total adjusted truanancies per the district’s attendance records each year (see Finding 1), we selected samples based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population. For each year, we stratified the total population into three groups: elementary, middle, and high school. In all, sample items were selected from 56 out of 59 possible school sites. The number of unallowable truancy notifications identified in the sample, the percentage unallowable, and the projected audit adjustments are summarized below.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
<u>Elementary School</u>				
Unallowable truancy notifications	(139)	(145)	(139)	
Truant pupils sampled	÷ 139	÷ 146	÷ 145	
Unallowable percentage	(100)%	(99.32)%	(95.86)%	
Adjusted truanancies per district attendance records	× 1,836	× 5,521	× 4,000	
Projected unallowable truancy notifications	<u>(1,836)</u>	<u>(5,483)</u>	<u>(3,834)</u>	
<u>Middle School</u>				
Unallowable truancy notifications	(145)	(121)	(128)	
Truant pupils sampled	÷ 145	÷ 139	÷ 145	
Unallowable percentage	(100)%	(87.05)%	(88.28)%	
Adjusted truanancies per district attendance records	× 4,637	× 1,813	× 4,442	
Projected unallowable truancy notifications	<u>(4,637)</u>	<u>(1,578)</u>	<u>(3,921)</u>	
<u>High School</u>				
Unallowable truancy notifications	(148)	(109)	(138)	
Truant pupils sampled	148	141	148	
Unallowable percentage	(100)%	(77.31)%	(93.25)%	
Adjusted truanancies per district attendance records	× 9,820	× 2,280	× 9,319	
Projected unallowable truancy notifications	<u>(9,820)</u>	<u>(1,762)</u>	<u>(8,689)</u>	
<u>Totals</u>				
Total unallowable notifications per year	(16,293)	(8,823)	(16,444)	
Uniform cost allowance	× \$12.73	× \$12.91	× \$13.20	
Total audit adjustment	<u>\$(207,410)</u>	<u>\$(113,905)</u>	<u>\$(217,061)</u>	<u>\$(538,376)</u>

For fiscal year (FY) 2000-01, the auditor selected and tested 432 truanancies (139 for elementary school, 145 for middle school, and, 148 for high school) from a population of 16,293 truanancies (1,836 for elementary school, 4,637 for middle school, 9,820 for high school). The district did not provide any documentation to support the distribution of initial truancy notification forms for the entire sample.

For FY 2001-02, the auditor selected and tested 426 truancy notifications (146 for elementary school, 139 for middle school, and 141 for high school) from a population of 9,614 truancy notifications (5,521 for elementary school, 1,813 for middle school, and 2,280 for high school). We determined that 375 notifications are unallowable because the district did not provide any documentation to support the distribution of initial truancy notifications.

For FY 2002-03, the auditor selected and tested 438 truancy notifications (145 for elementary and middle schools and 148 for high school) from a population of 17,761 truancy notifications (4,000 for elementary school, 4,442 for middle school, and 9,319 for high school). We determined that 405 notifications are unallowable because the district did not provide any documentation to support the distribution of initial truancy notifications.

Inquiry with the district personnel at 56 out of 59 school sites visited for testing revealed the following:

- For all school sites, the attendance clerks and/or administrator stated that their schools did not send out the initial truancy notifications for FY 2000-01. They stated that the district developed the standardized initial truancy notification form, containing the five required elements, in FY 2001-02. However, sampled truancy notifications revealed that these notification forms were not used during the audit period.
- The attendance clerks and/or administrators of 27 schools sites stated that they did not send out any initial truancy notification forms during the audit period.

*Parameters and Guidelines*, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts will be reimbursed for identifying the truant pupil to receive the notification, preparing and distributing initial truancy notification forms by mail or other method to parents/guardians, and associated recordkeeping. *Parameters and Guidelines* states that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. *Parameters and Guidelines* allows the district to be reimbursed for claimed costs if the initial truancy notification form distributed to the pupil's parent or guardian contains five specified elements, using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

*Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994 (effective January 1, 1995), to require eight specified elements. However, since *Parameters and Guidelines* has not been amended, a claimant continues to be reimbursed if it complies with the five specified elements in the guidelines.

### Recommendation

We recommend the district establish and implement procedures to ensure that it maintains supporting documentation for all claimed initial truancy notifications.

### District's Response

The District recognizes that the Adopted Parameters and Guidelines ("Parameters and Guidelines") applicable to the Notification of Truancy Mandate ("Mandate") indicate that the District should retain "[d]ocumentation which indicates the total number of initial notifications of truancy distributed." (emphasis added). The Parameters and Guidelines contain no requirement, however, that individual notification of truancy letters must, themselves, be retained in the manner sought by SCO.

Here, it appears to be the case that SCO allowed funds claimed by the District only where actual notification of truancy letters could be located for specific students in SCO's audit sample. This level of documentation is not supported by existing law, which contains no requirement that the District retain individual notification of truancy letters in order to qualify for funding under the Mandate. California Courts of Appeal have held that audit criteria devised by state agencies, but not specifically authorized by statute or regulation, cannot be employed in conducting audits because they constitute "regulations" which have not been promulgated as required by the Administrative Procedure Act ("APA"). Government Code § 11340 et seq.; *Grier v. Kizer* (1990) 219 Cal.App.3d 422 [28 Cal.Rptr. 244]. As such, SCO erred in imposing this heightened level of documentation, and the District, therefore, objects to SCO's Draft Audit Report.

As noted above, the District is presently in the process of gathering information in response to the Draft Audit Report. Some of that information is described immediately below, and copies of a number of relevant documents have also been enclosed. In order to facilitate this process, the District hereby requests that SCO provide clarification as to what alternative evidence, if any, would be accepted by SCO in connection with this matter.

The District additionally responds to the Draft Audit Findings as follows:...

As noted above, the District's review of this matter is ongoing, and is not yet complete. Nevertheless, the District has already identified a number of relevant records that SCO auditors apparently overlooked or failed to locate. These include:

1. Notification of truancy letters and/or individualized computer records confirming that notification of truancy letters were sent for 32 students in SCO's audit sample. These should be credited to the District. A copy of these records is attached herto as Exhibit "A."

2. Approximately 400 notification of truancy letters for District high school students for the 2002-2003 school year. The quantity of these records far exceeds the number of such records that would be anticipated if the results of the SCO audit sample were accurate. Specifically, SCO appears to have credited only 1 notification of truancy letter out of 148 high school students sampled in 2002-2003. A copy of these records is attached hereto as Exhibit "B."

#### SCO's Comment

The finding has been revised based on the additional information the district has provided.

Consistent with *Parameters and Guidelines*, we agree that the district should retain documentation indicating the total number of initial truancy notifications distributed. Accordingly, we requested that the district provide documentation such as mail receipts, truancy logs, or copies of truancy letters, etc., that would substantiate the distribution of truancy notifications. We did not specifically request that the district provide copies of individual truancy notifications. Instead, we suggested that, to substantiate the claimed notification, the district could also provide copies of notifications.

The district is mistaken in its assertion that we allowed funds it claimed only when actual notification of truancy letters could be located. As stated above, we requested that the district provide documentation substantiating distribution of truancy notifications. To substantiate the distribution of notifications, the district provided, for a few sample items, copies of truancy letters. For the remainder of the sample items, the district provided neither copies of truancy letters nor any other records to substantiate the distribution of truancy notifications.

The district provided a number of documents in its response to the draft report. These documents substantiated an additional 32 sample notifications. Additional notifications were deemed allowable because the district provided either copies of the notification letters or CASTS-LPR (LPR) computer-printed screen reports showing that a notification letter was sent to a pupil's parent or guardian.

The district's response to the draft report also included truancy letters and LPR screen reports for various truanancies that were not included in the sample. Therefore, these letters have no effect on the projection of the statistical sample results to the population.

**OTHER ISSUE**

The district requested in its response a copy of the audit working papers and a further extension of time so that it may more fully respond to the draft report, well in advance of issuance of the final report. The district's response and the SCO's comments are as follows.

District's Response

The district states that its correspondence constitutes a preliminary response. The draft report proposes adjustments of \$171,041 in Finding 1 and \$550,740 in Finding 2. The district states that these adjustments are based in large part on an audit sample that includes approximately 450 students at 56 different school sites for each of three separate school years. Consequently, the district proposes to further respond to the draft report at a later date.

The district also states:

The District is presently engaged in the process of reviewing the Draft Audit Report. In light of the quantity of relevant data, that process is moving forward, but is not yet complete. Moreover, while the District has been allowed access to a part of the audit work papers, that access has neither been full nor complete. As a result, the District has not been able to gain a comprehensive understanding of specific SCO determinations which underlies the Draft Audit Report, nor has the District completed its review of relevant documentation. The District, therefore, renews its request for a full and complete copy of the audit work papers, and a further extension of time so that the District may more fully respond to the Draft Audit Report, well in advance of issuance of any Final Audit Report.

SCO's Comment

The district requested and was granted an extension through July 22, 2005. We believe that the district had sufficient time to adequately respond to the audit findings. Therefore, the district's preliminary response is considered final.

We provided the district a complete set of documentation supporting the audit findings on May 13, 2005. The documents included sample items, school sites, individuals contacted, and test results. This documentation substantiates the findings in detail.

**Attachment—  
District’s Response to  
Draft Audit Report**

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# Santa Ana Unified School District

Al Mijares, Ph.D., Superintendent

July 22, 2005

Jim L. Spano  
Chief, Compliance Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA. 94250-5874

Dear Mr. Spano:

## District Response to Draft Audit Report Issued March 30, 2005

This correspondence constitutes the preliminary response of the Santa Ana Unified School District ("District") to the Draft Audit Report issued by the Office of the State Controller ("SCO") on or about March 30, 2005. For the reasons discussed below, the District requests additional time to complete its review of this matter, and proposes to further respond to the Draft Audit Report at a later date.

### **DISCUSSION:**

The Draft Audit Report proposes audit adjustments of \$171,041 (Finding 1) and \$550,740 (Finding 2). These adjustments are based in large part on an audit sample that includes approximately 450 students at 56 different school sites for each of three separate school years (i.e. 2000-2001 through 2002-2003). As such, it is clear that this matter involves a substantial amount of documentation

The District is presently engaged in the process of reviewing the Draft Audit Report. In light of the quantity of relevant data, that process is moving forward, but is not yet complete. Moreover, while the District has been allowed access to a part of the audit work papers, that access has neither been full nor complete. As a result, the District has not been able to gain a comprehensive understanding of the specific SCO determinations which underlies the Draft Audit Report, nor has the District completed its review of relevant documentation. The District, therefore, renews its request for a full and complete copy of the audit work papers, and a further extension of time so that the District may more fully respond to the Draft Audit Report, well in advance of issuance of any Final Audit Report.

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322 (714) 558-5501

### **BOARD OF EDUCATION**

Audrey Yamagata-Noji, Ph.D., President • Rob Richardson, Vice President  
Sal Tinajero, Clerk • Rosemarie Avila, Member • John Palacio, Member

The District recognizes that the Adopted Parameters and Guidelines (“Parameters and Guidelines”) applicable to the Notification of Truancy Mandate (“Mandate”) indicate that the District should retain “[d]ocumentation which indicates the total number of initial notifications of truancy distributed.” (emphasis added). The Parameters and Guidelines contain no requirement, however, that individual notification of truancy letters must, themselves, be retained in the manner sought by SCO.

Here, it appears to be the case that SCO allowed funds claimed by the District only where actual notification of truancy letters could be located for specific students in SCO’s audit sample. This level of documentation is not supported by existing law, which contains no requirement that the District retain individual notification of truancy letters in order to qualify for funding under the Mandate. California Courts of Appeal have held that audit criteria devised by state agencies, but not specifically authorized by statute or regulation, cannot be employed in conducting audits because they constitute “regulations” which have not been promulgated as required by the Administrative Procedure Act (“APA”). Government Code § 11340 et seq.; *Grier v. Kizer* (1990) 219 Cal.App.3d 422 [28 Cal.Rptr. 244]. As such, SCO erred in imposing this heightened level of documentation, and the District, therefore, objects to SCO’s Draft Audit Report.

As noted above, the District is presently in the process of gathering information in response to the Draft Audit Report. Some of that information is described immediately below, and copies of a number of relevant documents have also been enclosed. In order to facilitate this process, the District hereby requests that SCO provide clarification as to what alternative evidence, if any, would be accepted by SCO in connection with this matter.

The District additionally responds to the Draft Audit Findings as follows:

**Additional District Response to Finding 1**

The District lacks sufficient information at this time to determine whether it agrees or disagrees with this Finding.

**Additional District Response to Finding 2**

The District disagrees with this Finding.

As noted above, the District’s review of this matter is ongoing, and is not yet complete. Nevertheless, the District has already identified a number of relevant records that SCO auditors apparently overlooked or failed to locate. These include:

1. Notification of truancy letters and/or individualized computer records confirming that notification of truancy letters were sent for 32 students in SCO’s audit sample. These should be credited to the District. A copy of these records is attached hereto as Exhibit “A.”

2. Approximately 400 notification of truancy letters for District high school students for the 2002-2003 school year. The quantity of these records far exceeds the number of such records that would be anticipated if the results of the SCO audit sample were accurate. Specifically, SCO appears to have credited only 1 notification of truancy letter out of 148 high school students sampled in 2002-2003. A copy of these records is attached hereto as Exhibit "B."

For these reasons, it is apparent that the audit sample results should not be credited at the present time, and that Finding 2, at present, is both inaccurate and incomplete.

As the District continues with its review of this matter, additional concerns with regard to the Draft Audit Report will likely be identified. Our preference is to address those concerns to SCO prior to issuance of any Final Audit Report.

Sincerely,



Socorro Barron  
Senior Director of Pupil Support Services

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

# **SANTA ANA UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2004, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

June 2010



**JOHN CHIANG**  
**California State Controller**

June 23, 2010

Audrey Yamagata-Noji, Ph.D., President  
Board of Education  
Santa Ana Unified School District  
1601 East Chestnut Avenue  
Santa Ana, CA 92701-6322

Dear Dr. Yamagata-Noji:

The State Controller's Office audited the costs claimed by the Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Jane A. Russo, Superintendent  
Santa Ana Unified School District  
Michael P. Bishop, Sr., Associate Superintendent  
Santa Ana Unified School District  
Kelvin Tsunezumi, Executive Director of Fiscal Services  
Santa Ana Unified School District  
Nancy Diaz-Miller, Senior Director of Pupil Support Services  
Santa Ana Unified School District  
William M. Habermehl, County Superintendent of Schools  
Orange County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Angie Teng, Section Supervisor  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Santa Ana Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 483, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2004, through June 30, 2008.

The district claimed \$701,401 for the mandated program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible initial truancy notifications. The State paid the district \$251,454. Allowable costs claimed exceed the amount paid by \$164,707.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts are eligible for mandated program reimbursement if they notify a parent or guardian of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes, until June 30, 2006, a pupil is initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, and January 31, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2004, through June 30, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Santa Ana Unified School District claimed \$701,401 for costs of the Notification of Truancy Program. Our audit disclosed that \$416,161 is allowable and \$285,240 is unallowable.

For the fiscal year (FY) 2004-05 claim, the State paid the district \$220,198. Our audit disclosed that \$166,448 is allowable. The State will offset \$53,750 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State made no payment to the district. Our audit disclosed that \$84,056 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the district \$31,256. Our audit disclosed that \$95,414 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$64,158, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit disclosed that \$70,243 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on January 13, 2010. Michael P. Bishop, Sr., Associate Superintendent, Business Services, responded by letter dated February 12, 2010 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Santa Ana Unified School District, the Orange County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

June 23, 2010

**Schedule 1—  
Summary of Program Costs  
July 1, 2004, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
Number of truancy notifications	15,420	11,656	(3,764)	Finding 1, 2
Uniform cost allowance	× \$14.28	× \$14.28	× \$14.28	
Total program costs <sup>2</sup>	<u>\$ 220,198</u>	166,448	<u>\$ (53,750)</u>	
Less amount paid by the State		<u>(220,198)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (53,750)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Number of truancy notifications	11,613	5,409	(6,204)	Finding 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs <sup>2</sup>	<u>\$ 180,466</u>	84,056	<u>\$ (96,410)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,056</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of truancy notifications	12,039	5,908	(6,131)	Finding 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Total program costs <sup>2</sup>	<u>\$ 194,430</u>	95,414	<u>\$ (99,016)</u>	
Less amount paid by the State		<u>(31,256)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 64,158</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of truancy notifications	6,152	4,065	(2,087)	Finding 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs <sup>2</sup>	<u>\$ 106,307</u>	70,243	<u>\$ (36,064)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 70,243</u>		
<u>Summary: July 1, 2004, through June 30, 2008</u>				
Total program costs	<u>\$ 701,401</u>	\$ 416,161	<u>\$ (285,240)</u>	
Less amount paid by the State		<u>(251,454)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 164,707</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

**FINDING 1—  
Overstated and understated initial truancy notifications claimed**

The district claimed unallowable costs totaling \$3,463. The costs are unallowable because:

- The district claimed a total number of initial truancy notifications each year that differed from the total number that the district’s records support. The district either overstated or understated the number during each fiscal year.
- The district claimed duplicate initial truancy notification letters for students who received more than one letter during a school year.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Number of initial notifications documented:					
Elementary school	2,503	2,689	2,339	1,027	
Secondary school	12,924	8,452	9,313	5,705	
Total initial truancy notifications documented	15,427	11,141	11,652	6,732	
Initial truancy notifications claimed	(15,420)	(11,613)	(12,039)	(6,152)	
Under/(over)stated initial truancy notifications	7	(472)	(387)	580	
Uniform cost allowance	×\$14.28	×\$15.54	×\$16.15	×\$17.28	
Audit adjustment	\$ 100	\$ (7,335)	\$ (6,250)	\$ 10,022	\$ (3,463)

The program’s parameters and guidelines require the district to provide documentation that supports the total number of initial truancy notifications distributed. The program reimburses claimants based on a uniform cost allowance and the number of eligible truancy notifications documented.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support.

District’s Response

The district did not respond to this audit finding.

SCO’s Comment

We revised our audit finding to incorporate the fiscal year (FY) 2004-05 and FY 2007-08 understated initial truancy notifications that we previously included in Finding 2. Our recommendation is unchanged.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications claimed**

The district claimed non-reimbursable initial truancy notifications totaling \$281,778. The district claimed initial truancy notifications that it distributed for students whose attendance records did not identify the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We chose our statistical sample from the population of initial truancy notifications that the district documented. We used a statistical sample so that we could project the sample results to the population. We stratified the population into two groups, depending on whether the student was subject to daily or period attendance accounting.

We reviewed the district’s attendance records to verify whether sampled students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district’s attendance accounting system uses a two-part coding structure. A status code simply identifies that the student was absent or tardy. A reason code identifies whether the absence is excused or unexcused. The district provided lists that define the attendance absence codes for both elementary and secondary schools. The district identified the following absence reason codes as unexcused absences:

Code	Description
A	Unverified absence
H	Hooky/truant
T	Tardy truant—after 31 minutes
U	Unexcused absence

The district claimed unallowable initial truancy notifications for students who accumulated fewer than four unexcused absences or tardiness occurrences during FY 2004-05 and FY 2005-06, and fewer than three unexcused absences or tardiness occurrences during FY 2006-07 and FY 2007-08.

The following table summarizes the unallowable initial truancy notifications claimed:

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Daily Attendance Accounting:					
Number of unallowable truancy notifications	(100)	(78)	(77)	(86)	
Statistical sample size	÷ 142	÷ 142	÷ 141	÷ 131	
Unallowable percentage	(70.42)%	(54.93)%	(54.61)%	(65.65)%	
Number of initial truancy notifications documented	× 2,503	× 2,689	× 2,339	× 1,027	
Number of unallowable truancy notifications	(1,763)	(1,477)	(1,277)	(674)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	(25,176)	(22,953)	(20,624)	(11,647)	\$ (80,400)

	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Period Attendance Accounting:					
Number of unallowable truancy notifications	(23)	(74)	(71)	(51)	
Statistical sample size	÷ 148	÷ 147	÷ 148	÷ 146	
Unallowable percentage	(15.54)%	(50.34)%	(47.97)%	(34.93)%	
Number of initial truancy notifications documented	× 12,924	× 8,452	× 9,313	× 5,705	
Number of unallowable truancy notifications	(2,008)	(4,255)	(4,467)	(1,993)	
Uniform cost allowance	× \$14.28	× \$15.54	× \$16.15	× \$17.28	
Subtotal	<u>(28,674)</u>	<u>(66,123)</u>	<u>(72,142)</u>	<u>(34,439)</u>	<u>(201,378)</u>
Audit adjustment	<u>\$(53,850)</u>	<u>\$(89,076)</u>	<u>\$(92,766)</u>	<u>\$(46,086)</u>	<u>\$(281,778)</u>

Education Code section 48260, subdivision (a) (as amended in 1994), defines a truant student as one who is absent from school without a valid excuse for three full days in one school year or who is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

However, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. As the Commission on State Mandates (CSM) did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardiness occurrences on four or more days for FY 2004-05 through FY 2005-06.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30) - minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notifications only for those pupils who meet the truancy definition provided in the parameters and guidelines.

In addition, we recommend that the district properly reflect the absence reason code for each student absence to identify whether the absence is excused or unexcused. We also recommend that the district establish specific absence reason codes to document when the district updates a student's absence from an unexcused absence to an excused absence after the district issues an initial truancy notification letter for the student.

### District's Response

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records after the NOT was sent/received.

Attached to this memo is our supporting documentation. . . .

Subsequent to the district's response dated February 12, 2010, the district representative stated that the district considered all absences to be unexcused if the district's attendance records did not identify an absence reason code. The district also provided an electronic file to document changes to absence reason codes that occurred after the district issued an initial truancy notification letter for a student. This file also identified unexcused absences that were previously undocumented for some students.

### SCO's Comment

Based on additional documentation that the district provided, we revised our finding to allow nine initial truancy notifications that we previously identified as unallowable in our draft audit report. We also revised our finding to exclude the FY 2004-05 and FY 2007-08 understated number of initial truancy notifications documented; these are now addressed in Finding 1.

We expanded our recommendation to address instances in which the district (1) does not identify the absence reason code in the student's attendance records; and (2) revises absence reason codes after it issues an initial truancy notification letter for a student.

In its February 12, 2010, response to our draft audit report, the district states, "Absence code 'A' (unverified) was not included in the auditor's attendance record sampling. . . ." The district is mistaken; we *did* include absence reason code "A" as a documented unexcused absence in determining whether students accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. The district also submitted an electronic file summarizing the district's review of student's attendance records for those initial truancy notifications that we identified as unallowable in our draft audit report.



The following table summarizes the number of unallowable initial truancy notifications that we identified and the number that the district believes are unallowable:

	<u>Daily Attendance Accounting</u>	<u>Period Attendance Accounting</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(100)	(23)
Unallowable per district	<u>(52)</u>	<u>(23)</u>
Difference	<u>48</u>	<u>—</u>
Fiscal Year 2005-06:		
Unallowable per SCO	(79)	(77)
Unallowable per district	<u>(24)</u>	<u>(3)</u>
Difference	<u>55</u>	<u>74</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(77)	(73)
Unallowable per district	<u>(36)</u>	<u>(5)</u>
Difference	<u>41</u>	<u>68</u>
Fiscal Year 2004-05:		
Unallowable per SCO	(86)	(54)
Unallowable per district	<u>(42)</u>	<u>(5)</u>
Difference	<u>44</u>	<u>49</u>

The documentation that the district submitted February 12, 2010, was insufficient to support any changes to the draft audit report.

The district stated that absences without a specified absence reason code are equivalent to unverified—and thus unexcused—absences. The district believes that the SCO should include these absences in determining whether students accumulated the minimum number of unexcused absences or tardiness occurrences to be classified as truant. We disagree. The district previously provided attendance reason codes that include a code specifically for unverified absences. The district provided no contemporaneous attendance accounting procedures, memorandum, policy statement, or other documents to support its statement regarding absences without a specified absence reason code. In addition, the district did not provide any additional documentation showing that the absences were unexcused.

On March 15, 2010, the district provided a second electronic file comprised of attendance records for 433 students. The attendance records identify nine additional students who accumulated the required number of unexcused absences or tardiness occurrences to be classified as truant. We revised our audit finding to account for these allowable initial truancy notifications. In addition, the district identified various students whose attendance reason codes were modified after the district issued an initial truancy notification letter. The district believes that the modified absence reason codes originally identified an unexcused absence, thus supporting the initial truancy notification. However, the district did not provide any documentation showing the original absence reason code. The documented absence reason codes did not identify the minimum number of unexcused absences or tardiness occurrences for these students to be classified as truant.

**Attachment—  
District’s Response to  
Draft Audit Report**

---



# Santa Ana Unified School District

Michael P. Bishop, Sr.  
Associate Superintendent,  
Business Services

Jane Russo, Superintendent

February 12, 2010

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
Division of Audits  
California State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

**RE: Notification of Truancy (NOT) Program Audit for Santa Ana Unified School District**

Thank you for the opportunity to review your findings as it relates to the audit of our District's Notification of Truancy Program for the period of July 1, 2004 through June 30, 2008 and for extending the time period of our response till February 26, 2010

Your office had preliminarily found that of the \$701,401 claimed by the District, that \$409,119 was allowable and \$292,282 is unallowable. Our internal review shows that of the \$292,282 in unallowed costs, \$210,148 should be allowed.

The \$210,148 in disputed claims should be allowed as:

- Absence codes were not completely understood by (or fully explained) to the auditor at the time of review. Absence code "A" (unverified) was not included in the auditor's attendance record sampling and therefore a high percentage of NOT's were not allowed.
- Changes were made to student attendance records after the NOT was sent/received.

Attached to this memo is our supporting documentation. We will contact your office next week to schedule a conference call to fully explain our position. We will also send an electronic file of the supporting documentation to Messrs. Cobbinah and Howell.

If you have any questions, please contact me at (714) 558-5826.

Sincerely,

A handwritten signature in black ink, appearing to be "M. Bishop", with a date "12" written below it.

Michael P. Bishop, Sr., CBO  
Associate Superintendent, Business Services

Attach.:

cc: John Hill Cobbinah, Audit Manager, Division of Audits  
Ken Howell, Auditor, Division of Audits  
Phil K. Urrable, Ed.D., Educational Consulting Services, Inc.  
Margarita Ronquillo, Educational Consulting Services, Inc.  
Jane A. Russo, Superintendent; Doreen Lohnes, Assistant Superintendent, Support Services  
Nancy Diaz-Miller, Senior Director, Pupil Support Services; Kelvin Tsunezumi, Executive Director of Fiscal Services

1601 East Chestnut Avenue, Santa Ana, CA 92701-6322, (714) 558-5501

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**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# SEQUOIA UNION HIGH SCHOOL DISTRICT

Audit Report

## NOTIFICATION OF TRUANCY PROGRAM

Chapter 498, Statutes of 1983; Chapter 1023,  
Statutes of 1994; Chapter 19, Statutes of 1995; and  
Chapter 69, Statutes of 2007

*July 1, 2006, through June 30, 2009*



JOHN CHIANG  
California State Controller

May 2012



**JOHN CHIANG**  
**California State Controller**

May 23, 2012

Alan Sarver, President  
Board of Trustees  
Sequoia Union High School District  
480 James Avenue  
Redwood City, CA 94062

Dear Mr. Sarver:

The State Controller's Office audited the costs claimed by the Sequoia Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for the mandated program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/bf

cc: James Lianides, Ed.D., Superintendent  
Sequoia Union High School District  
Enrique Navas, Assistant Superintendent  
Administrative Services  
Sequoia Union High School District  
Martin Fuentes, Controller  
Administrative Services  
Sequoia Union High School District

Betty Anthes, Accountant/Auditor  
Administrative Services  
Sequoia Union High School District

Ken Bazan, Manager  
Information Services  
Sequoia Union High School District

Rod Hsiao, President, Board of Education  
San Mateo County Office of Education

Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education

Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education

David Kopperud, Education Programs Consultant  
State SARB  
California Department of Education

Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance

Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Sequoia Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for the mandated program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance

with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2009.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Sequoia Union High School District claimed \$744,374 (\$755,564 less a \$11,190 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$167,088 is allowable and \$577,286 is unallowable. The State paid the district \$23,589. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,499, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on May 3, 2012. Enrique Navas, Assistant Superintendent, Administrative Services; Ken Bazan, Manager, Information Services; and Betty Anthes, Accountant-Auditor, Administrative Services agreed with the audit results. The district declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of the Sequoia Union High School District, the San Mateo County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

May 23, 2012

## Schedule 1— Summary of Program Costs July 1, 2006, through June 30, 2009

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	22,744	3,646	(19,098)	Findings 1, 2
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	\$ 367,316	\$ 58,883	\$ (308,433)	
Less late filing penalty	(10,000)	(10,000)	—	
Total program costs	<u>\$ 357,316</u>	48,883	<u>\$ (308,433)</u>	
Less amount paid by State		(9,501)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 39,382</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	18,803	3,499	(15,304)	Findings 1, 2
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Total program costs	<u>\$ 324,916</u>	\$ 60,463	<u>\$ (264,453)</u>	
Less amount paid by the State		(7)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,456</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	3,570	3,322	(248)	Findings 2
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	\$ 63,332	\$ 58,932	\$ (4,400)	
Less late filing penalty	(1,190)	(1,190)	—	
Total program costs	<u>\$ 62,142</u>	57,742	<u>\$ (4,400)</u>	
Less amount paid by the State		(14,081)		
Total direct and indirect costs		<u>\$ 43,661</u>		
<u>Summary: July 1, 2006, through June 30, 2009</u>				
Total costs	\$ 755,564	\$ 178,278	\$ (577,286)	
Less late filing penalty	(11,190)	(11,190)	—	
Total program costs	<u>\$ 744,374</u>	167,088	<u>\$ (577,286)</u>	
Less amount paid by the State		(23,589)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 143,499</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Unallowable initial truancy notifications

The district claimed unallowable costs totaling \$563,418. The costs are unallowable because the district overstated the number of allowable initial truancy notifications distributed.

For fiscal year (FY) 2006-07 and FY 2007-08, the district provided a list of students for whom it distributed initial truancy notifications. The number of notifications documented did not agree with the number of notifications claimed.

In addition, each list included unallowable notifications. For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2006-07	2007-08	
Number of notifications documented	3,884	3,879	
Less number of notifications claimed	<u>(22,744)</u>	<u>(18,803)</u>	
Overstated number of notifications	(18,860)	(14,924)	
Uniform cost allowance	× \$16.15	× \$17.28	
Audit adjustment	<u>\$ (304,589)</u>	<u>\$ (257,887)</u>	\$ (562,476)
Duplicate notifications	(23)	(33)	
Uniform cost allowance	<u>\$16.15</u>	<u>\$17.28</u>	
Audit adjustment	<u>\$ (372)</u>	<u>\$ (570)</u>	<u>(942)</u>
Total audit adjustment <sup>1</sup>	<u><u>\$ (304,961)</u></u>	<u><u>\$ (258,457)</u></u>	<u><u>\$ (563,418)</u></u>

<sup>1</sup> Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We also recommend that the district claim only one initial truancy notification per truant student for each school year.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$13,868. The district claimed notifications for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population.

Some initial truancy notifications claimed were non-reimbursable for the following reasons:

- Students accumulated fewer than three unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three total unexcused absences or tardiness occurrences during the school year.

The following table summarizes the non-reimbursable initial truancy notifications:

	Fiscal Year		
	2006-07	2007-08	2008-09
Number of unexcused absences and tardiness occurrences accumulated during the school year:			
Fewer than three while between ages 6 and 18	(7)	(7)	(7)
Fewer than three total	(1)	(6)	(3)
Unallowable initial truancy notifications	<u>(8)</u>	<u>(13)</u>	<u>(10)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of unallowable initial truancy notifications from statistical sample	(8)	(13)	(10)	
Statistical sample size	÷ 144	÷ 144	÷ 144	
Unallowable percentage	(5.56)%	(9.03)%	(6.94)%	
Population sampled	× 3,861	× 3,846	× 3,570	
Extrapolated number of unallowable initial truancy notifications	(215)	(347)	(248)	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	
Audit adjustment	<u>\$ (3,472)</u>	<u>\$ (5,996)</u>	<u>\$ (4,400)</u>	<u>\$ (13,868)</u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

Any pupil *subject to compulsory full-time education or to compulsory continuation education* [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or

absent for more than any 30-minute period during the schoolday [*sic*] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .

Education Code section 48200 states that children between ages 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

The parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### **FINDING 3— Noncompliance with Education Code section 48260.5**

The district disclosed that Redwood High School does not generate initial truancy notifications. The district did not claim any costs related to Redwood High School; therefore, there is no audit adjustment. However, the district did not comply with the Education Code.

Redwood High School is a continuation high school within the district. The district office issues initial truancy notification letters for Carlmont High School, Menlo-Atherton High School, Sequoia High School, and Woodside High School. However, Redwood High School is responsible for issuing notifications applicable to its own students.

The district reported to the California Department of Education that Redwood High School did have truant students during the audit period. A Redwood High School representative acknowledged that the school does not issue initial truancy notifications. The school issues only academic evaluation letters and a copy of the student's attendance record during six reporting periods throughout the school year. The academic evaluation letters are not initial truancy notifications.

Education Code section 48260.5 (effective during the audit period) states that upon a pupil's initial classification as a truant, the school district shall notify the pupil's parent or guardian, by first-class mail or other reasonable means, of the following:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.

3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Education Code section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Recommendation

We recommend that the district comply with Education Code section 48260.5 for all students who attend the district's schools.



**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **STOCKTON UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2001, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

January 2007



**JOHN CHIANG**  
California State Controller

January 19, 2007

Jack McLaughlin, Ed.D., Superintendent  
Stockton Unified School District  
701 North Madison Street  
Stockton, CA 95202

Dear Dr. McLaughlin:

The State Controller's Office audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by:*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb:ams

cc: Wayne Martin, Executive Director-Business Services  
Stockton Unified School District  
Fredrick Wentworth, Ed.D., County Superintendent of Schools  
San Joaquin County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 11, 2006.

The district claimed and was paid \$612,896 for the mandated program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable. The unallowable costs occurred because the district claimed unsupported and nonreimbursable initial truancy notifications. The district should return \$70,704 to the State.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. Chapter 1023, Statutes of 1994, amended *Education Code* Section 48260.5 to require school districts to also notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, since *Parameters and Guidelines* has not been amended, districts are eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

*Education Code* Section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended *Education Code* Section 48260 and renumbered it to Section 48260(a), stating that a pupil is truant when the pupil is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, since *Parameters and Guidelines* has not been amended, a pupil is initially classified as truant upon the fourth unexcused absence for mandate-reimbursement purposes.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Stockton Unified School District claimed and was paid \$612,896 for costs of the Notification of Truancy Program. Our audit disclosed that \$542,192 is allowable and \$70,704 is unallowable.

For fiscal year (FY) 2001-02, the State paid the district \$122,542. Our audit disclosed that \$57,179 is allowable. The district should return \$65,363 to the State.

For FY 2002-03, the State paid the district \$230,432. Our audit disclosed that the entire amount is allowable.

For FY 2003-04, the State paid the district \$259,922. Our audit disclosed that \$254,581 is allowable. The district should return \$5,341 to the State.

**Views of  
Responsible  
Officials**

We issued a draft audit report on November 29, 2006. Wayne Martin, Executive Director, Business Services, and Julie Penn, Director of CWA/Summer Programs/ECE, responded by letter dated December 20, 2006 (Attachment). This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Stockton Unified School District, the San Joaquin County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits



**Schedule 1—  
Summary of Program Costs  
July 1, 2001, through June 30, 2004**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Number of initial truancy notifications	9,492	4,429	(5,063)	Findings 1, 2
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91	
Total program costs	<u>\$ 122,542</u>	57,179	<u>\$ (65,363)</u>	
Less amount paid by the State		<u>(122,542)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (65,363)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Number of initial truancy notifications	17,457	18,675	1,218	Findings 1, 2
Uniform cost allowance	× \$13.20	× \$13.20	× \$13.20	
Subtotal	230,432	246,509	16,077	
Less allowable costs that exceed costs claimed <sup>2</sup>	<u>—</u>	<u>(16,077)</u>	<u>(16,077)</u>	
Total program costs	<u>\$ 230,432</u>	230,432	<u>\$ —</u>	
Less amount paid by the State		<u>(230,432)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Number of initial truancy notifications	19,028	18,637	(391)	Findings 1, 2
Uniform cost allowance	× \$13.66	× \$13.66	× \$13.66	
Total program costs	<u>\$ 259,922</u>	254,581	<u>\$ (5,341)</u>	
Less amount paid by the State		<u>(259,922)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,341)</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Total program costs	<u>\$ 612,896</u>	\$ 542,192	<u>\$ (70,704)</u>	
Less amount paid by the State		<u>(612,896)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (70,704)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> *Government Code* Section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03.

# Findings and Recommendations

## **FINDING 1— Overclaimed and underclaimed initial truancy notifications**

The district's attendance records did not support the number of initial truancy notification forms that the district reported on its mandated claims. In each fiscal year, the district either overclaimed or underclaimed the number of initial truancy notifications. For all fiscal years combined, the district claimed 2,368 initial truancy notifications that were not supported by the district's records. Unallowable costs totaled \$29,588.

For fiscal year (FY) 2001-02, the district provided elementary school truancy notification logs and middle school automated attendance records to support initial truancy notifications. The records did not support the number of initial truancy notifications that the district claimed for these schools. In addition, a district representative notified us that the district had no records to support high school initial truancy notifications claimed. The district representative stated that the district discarded the records when counselors transferred or retired. For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports showing that the district underclaimed the total number of initial truancy notifications for each fiscal year.

*Parameters and Guidelines* requires the district to provide documentation that shows the total number of initial truancy notifications distributed. In addition, *Parameters and Guidelines* requires the district to maintain records for a period of three years from the date of final payment by the SCO.

The following table summarizes the overclaimed and underclaimed initial truancy notifications and resulting audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Initial truancy notifications supported by district records	4,527	19,554	19,528	
Less initial truancy notifications claimed	<u>(9,492)</u>	<u>(17,457)</u>	<u>(19,028)</u>	
Underclaimed/(overclaimed) initial truancy notifications	(4,965)	2,097	500	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (64,098)</u>	<u>\$ 27,680</u>	<u>\$ 6,830</u>	<u>\$ (29,588)</u>

### Recommendation

We recommend that the district ensure that its records support the number of initial truancy notifications claimed. In addition, we recommend that the district maintain supporting documentation as required by *Parameters and Guidelines*.

### District's Response

While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

### SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

The district alleges that reimbursement deferrals lengthened the "normal" documentation retention requirements and implies that the lengthened retention requirements contributed to the inadvertent record destruction. *Government Code* Section 17558.5 (effective January 1, 2003) states that a reimbursement claim is "subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later." The district submitted its FY 2001-02 mandated claim on January 15, 2003. Therefore, the district's FY 2001-02 claim was subject to audit until January 15, 2006. We conducted an entrance conference for this audit on January 24, 2005, at which time the district was required to provide all documentation that supports the district's claim. As a result, the reimbursement deferrals did not affect the record retention requirements for this claim.

*Government Code* Section 17558.5 and *Parameters and Guidelines* identify the audit authority and record retention requirements applicable to mandated cost claims. It is the district's responsibility to be familiar with, and comply with, these requirements.

### **FINDING 2— Nonreimbursable initial truancy notifications**

The district claimed unallowable costs totaling \$25,039 for initial truancy notifications that were not reimbursable. The district claimed initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program.

For each fiscal year, we selected a statistical sample based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that we could project the sample results to the population. Because the district accounts for attendance differently depending on grade level, we stratified the population into two groups: elementary students, and middle and high school students.

For FY 2001-02, we selected our elementary school sample from the total number of initial truancy notifications documented by truancy notification logs. We selected our middle school sample from the total number of initial truancy notifications documented by automated attendance records (the district had no records for high school students during this fiscal year). For FY 2002-03 and FY 2003-04, the district provided automated truancy notification reports for those elementary school students who accumulated between 3 and 5 unexcused daily absences and those middle and high school students who accumulated between 18 and 35 unexcused school period absences. We selected our FY 2002-03 and FY 2003-04 samples from these reports. The following table shows the population and sample sizes.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Population:				
Elementary schools	1,944	3,876	3,983	9,803
Middle/high schools	2,583	3,455	3,576	9,614
Total	<u>4,527</u>	<u>7,331</u>	<u>7,559</u>	<u>19,417</u>
Sample size:				
Elementary schools	139	144	145	428
Middle/high schools	142	144	144	430
Total	<u>281</u>	<u>288</u>	<u>289</u>	<u>858</u>

The district claimed unallowable initial truancy notifications for students who accumulated less than four unexcused absences or tardies during the fiscal year. The following table summarizes the number of unallowable initial truancy notifications that we identified from the samples, the percentage unallowable, and the projected audit adjustments.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
<u>Elementary Schools</u>				
Unallowable initial truancy notifications	\$ (7)	\$ (30)	\$ (27)	
Sample size	÷ 139	÷ 144	÷ 145	
Percentage of unallowable initial truancy notifications	(5.04)%	(20.83)%	(18.62)%	
Population sampled	× 1,944	× 3,876	× 3,983	
Projected unallowable initial truancy notifications	<u>\$ (98)</u>	<u>(807)</u>	<u>(742)</u>	
<u>Middle/High Schools</u>				
Unallowable initial truancy notifications	—	(3)	(6)	
Sample size	÷ 142	÷ 144	÷ 144	
Percentage of unallowable initial truancy notifications	0.00%	(2.08)%	(4.17)%	
Population sampled	× 2,583	× 3,455	× 3,576	
Projected unallowable initial truancy notifications	<u>—</u>	<u>(72)</u>	<u>(149)</u>	
<u>Totals</u>				
Total unallowable initial truancy notifications	(98)	(879)	(891)	
Uniform cost allowance	× \$12.91	× \$13.20	× \$13.66	
Audit adjustment	<u>\$ (1,265)</u>	<u>\$ (11,603)</u>	<u>\$ (12,171)</u>	<u>\$ (25,039)</u>

*Education Code* Section 48260(a) (as amended in 1994) defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, *Parameters and Guidelines* states that initial truancy occurs when a student is absent from school without a valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year. Because *Parameters and Guidelines* has not been amended, an initial truancy notification is reimbursable under the mandated program only when a student has accumulated unexcused absences or tardies on four or more days.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in *Parameters and Guidelines*.

### District's Response

While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260 defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

### SCO's Comment

Our finding and recommendation remain unchanged. The district did not provide any additional documentation to refute the audit finding.

We agree that *Parameters and Guidelines* conflicts with *Education Code* Section 48260(a) regarding the definition of a truant pupil. Chapter 1023, Statutes of 1994, effective January 1, 1995, amended *Education Code* Section 48260 to state that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. Chapter 19, Statutes of 1995, subsequently

renumbered this section to 48260(a). However, *Parameters and Guidelines*, last amended on July 22, 1993, requires that pupils accumulate four or more unexcused absences to be classified as truant.

*Government Code* Section 17551(c) requires districts to file a test claim not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. Because no district filed a test claim relative to Chapter 1023, Statutes of 1994, within the time allowed, *Parameters and Guidelines* was not amended. Therefore, although districts are required to identify pupils as truant upon the third unexcused absence, the mandated program reimburses districts for only those pupils who accumulate four or more unexcused absences.

We agree that an effort should be made by interested parties to eliminate differences between *Parameters and Guidelines* and the *Education Code*. We will explore alternatives with legislative representatives to resolve this issue.

**Attachment—  
District’s Response to  
Draft Audit Report**

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**BUSINESS SERVICES**

Wayne Martin, Executive Director, Business Services  
701 North Madison Street  
Stockton, CA 95202-1687  
(209) 933-7055 Ext. 2091  
FAX (209) 933-7011

**BOARD OF EDUCATION**

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Katrina L. Rios  
Glen A. Dolberg, Ph.D.

Superintendent  
Jack McLaughlin

December 20, 2006

Jim L. Spano, CPA  
Chief, Compliance Audits Bureau  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

**RE: Notification of Truancy**  
**July 1, 2001 through June 30, 2003**

Dear Mr. Spano:

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy program (NOT) (Chapter 498, Statutes of 1983) for the period of July 1, 2001 through June 30, 2004. The District extends its appreciation for the professional courtesy of SCO staff shown during this audit. The District also appreciates this opportunity to respectfully respond to the SCO's findings.

Please note that this letter does not represent a complete list of the District's disagreements with the draft audit report, and that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Disallowed costs based on non-reimbursable initial truancy notifications.

It is our understanding, from the exit conference, Finding II and the draft audit report, that the SCO found \$25,039 of total costs claimed for FY's 01/02-03/04 to be unallowable because the district claimed "initial truancy notification costs for students who did not accumulate the required number of unexcused absences or tardies to be classified as truant under the mandated program" (SCO draft audit report, pg six). While the District acknowledges there is no argument regarding the language of the P's&G's it does object to its discrepancy with Education Code. By law (E.C. 48260.5) the District is mandated "that upon a pupil's initial classification as a truant the school district must notify the pupil's parent or guardian, by first-class mail or other reasonable means" of several items chief among them is that "the pupil is truant" and that "the parent or guardian is obligated to compel the attendance of the pupil at school." Education Code 48260



Jim L. Spano, CPA/Chief, Compliance Audits Bureau  
Division of Audits, State Controllers Office  
Re: Habitual Truancy 7/1/01 – 6/30/03  
December 20, 2006  
Page 2

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defines a truant as "any pupil subject to compulsory full-time education...who is absent from school without valid excuse for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof." In contrast P&G's state that "a student shall be initially classified as truant upon the fourth unexcused absence." Consequently the District incurs un-funded mandated cost activity as there is no means of reimbursement for notification upon the initial truancy as defined, and required, by Education Code. As one of the major administrators of the mandated cost reimbursement program the District urges the SCO to take an active and urgent role in updating the P's&G's to reflect current language and guarantee that school districts receive their rightful reimbursement for compliance with the Education Code.

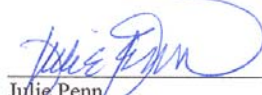
Disallowed costs based on unsupported truancy notifications.

It is our understanding, from the exit conference, Finding I and the draft audit report, that the SCO found \$29,588 of total costs claimed for FY's 01/02-03/04 to be unallowable because the District was unable to produce support documentation requested by the SCO (SCO draft audit report, pg five). While the District is confident that all claimed costs are reflective of actual notices sent it does recognize that some records were inadvertently destroyed. The recent deferral of mandated cost reimbursements lengthened the required retention period for documents used in support of filing a claim. Under "normal" circumstances claimants must retain documents for three years after the date on which the claim was filed. The deferrals lengthened that time period considerably. The District urges the SCO to be more proactive in its education, and perhaps more importantly its notification, of claimants regarding retention of support documentation when audit periods are extended beyond the "normal" three-year period.

Sincerely,



Wayne Martin  
Executive Director, Business Services



Julie Penn  
Director of CWA/ Summer Programs/ECE

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

# **STOCKTON UNIFIED SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2005, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

October 2012



**JOHN CHIANG**  
**California State Controller**

October 24, 2012

Sara L. Cazares, President  
Board of Education  
Stockton Unified School District  
701 N. Madison Street  
Stockton, CA 95202

Dear Ms. Cazares:

The State Controller's Office audited the costs claimed by Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

This revised final report supersedes our previous report dated October 27, 2010. Our original report identified unallowable costs totaling \$965,242 for fiscal year (FY) 2006-07, FY 2007-08, and FY 2008-09 because the district issued noncompliant initial truancy notifications. This revised report partially allows costs claimed for the noncompliant initial truancy notifications. As a result, allowable costs increased by \$603,276 for the audit period.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Steve Lowder, Ed.D., Superintendent  
Stockton Unified School District  
Wayne Martin, Chief Business Official  
Stockton Unified School District  
Dee Alimbini, Administrator  
Child Welfare and Attendance  
Stockton Unified School District  
Anthony J. Gutierrez, President  
Board of Education  
San Joaquin County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Stockton Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2005, through June 30, 2009.

The district claimed \$1,304,263 for the mandated program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable. The costs are unallowable because the district claimed non-reimbursable and noncompliant initial truancy notifications. The State paid the district \$304,009. The State will pay allowable costs claimed that exceed the amount paid, totaling \$603,276, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day. However, the Commission on State Mandates (CSM) did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, until June 30, 2006, districts were eligible for mandated program reimbursement if they notify parents or guardians of the first five elements.

Education Code section 48260 originally defined a truant pupil as one who is absent from school without a valid excuse for more than three days or who is tardy in excess of 30 minutes on each of more than three days in one school year. Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof. However, the CSM did not amend the program's parameters and guidelines until January 31, 2008 (effective July 1, 2006). Therefore, for mandate-reimbursement purposes until June 30, 2006, a pupil was initially classified as truant upon the fourth unexcused absence.

On November 29, 1984, the State Board of Control (now the CSM) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on July 22, 1993, January 31, 2008, and May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2005, through June 30, 2009.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district did not submit a representation letter.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Stockton Unified School District claimed \$1,304,263 for costs of the Notification of Truancy Program. Our audit disclosed that \$907,285 is allowable and \$396,978 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State paid the district \$304,009 from funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the entire amount is allowable.



For the FY 2006-07 through FY 2008-09 claims, the State made no payment to the district. Our audit disclosed that \$603,276 is allowable. The State will pay that amount, contingent upon available appropriations.

### **Views of Responsible Officials**

We issued a draft audit report on August 25, 2010. Jason Willis, Chief Financial Officer, responded by letter dated September 21, 2010 (Attachment), disagreeing with the audit results. We issued our original final audit report on October 27, 2010.

Subsequently, we revised Finding 3 to allow partial reimbursement for noncompliant initial truancy notifications distributed during FY 2006-07, FY 2007-08, and FY 2008-09. As a result, we revised Finding 3 to reduce the audit adjustment from \$965,242 to \$361,966. On October 9, 2012, we notified Wayne Martin, Chief Business Official, of the final audit report revisions. Mr. Martin did not comment on the revisions.

### **Restricted Use**

This report is solely for the information and use of Stockton Unified School District, the San Joaquin County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

October 24, 2012

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2005, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Number of initial truancy notifications	21,816	19,563	(2,253)	Findings 1, 2
Uniform cost allowance	× \$15.54	× \$15.54	× \$15.54	
Total program costs	<u>\$ 339,021</u>	304,009	<u>\$ (35,012)</u>	
Less amount paid by the State <sup>2</sup>		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	19,260	19,260	—	
Uniform cost allowance	× \$16.15	× \$16.15	× \$16.15	
Subtotal	<u>\$ 311,049</u>	\$ 311,049	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(116,643)</u>	<u>(116,643)</u>	Finding 3
Total program costs	<u>\$ 311,049</u>	194,406	<u>\$ (116,643)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 194,406</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	18,909	18,909	—	
Uniform cost allowance	× \$17.28	× \$17.28	× \$17.28	
Subtotal	<u>\$ 326,748</u>	\$ 326,748	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,531)</u>	<u>(122,531)</u>	Finding 3
Total program costs	<u>\$ 326,748</u>	204,217	<u>\$ (122,531)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,217</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	18,458	18,458	—	
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74	
Subtotal	<u>\$ 327,445</u>	\$ 327,445	\$ —	
Noncompliant initial truancy notifications	<u>—</u>	<u>(122,792)</u>	<u>(122,792)</u>	Finding 3
Total program costs	<u>\$ 327,445</u>	204,653	<u>\$ (122,792)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 204,653</u>		

## Revised Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference</u> <sup>1</sup>
<u>Summary: July 1, 2005, through June 30, 2009</u>				
Total program costs	<u>\$ 1,304,263</u>	\$ 907,285	<u>\$ (396,978)</u>	
Less amount paid by the State		<u>(304,009)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 603,276</u>		

<sup>1</sup> See the Revised Findings and Recommendations section.

<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

# Revised Findings and Recommendations

## **FINDING 1— Overstated, understated, and unallowable initial truancy notifications**

For fiscal year (FY) 2005-06, the district claimed costs for initial truancy notifications that were unallowable or not supported by the district's records. Unallowable costs total \$8,796.

The number of initial truancy notifications claimed did not agree with the number documented in the district's records. In addition, we reviewed the district's records and identified unallowable initial truancy notifications attributable to:

- Notifications distributed in calendar years 1998 and 1999.
- Notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- Duplicate initial truancy notifications. This occurred because the district distributed more than one notification during the school year for the same student.

The following table summarizes the audit adjustment:

	Attendance Accounting Method		Total
	Daily	Period	
Number of initial truancy notifications documented	8,759	13,323	22,082
Less number of initial truancy notifications distributed in 1998 and 1999	(11)	(79)	(90)
Less number of initial truancy notifications distributed to charter school students	(7)	(9)	(16)
Less duplicate initial truancy notifications	(164)	(562)	(726)
Allowable initial truancy notifications	8,577	12,673	21,250
Less number of initial truancy notifications claimed	(8,784)	(13,032)	(21,816)
Unallowable initial truancy notifications	(207)	(359)	(566)
Uniform cost allowance	×\$15.54	×\$15.54	
Audit adjustment <sup>1</sup>	\$ (3,218)	\$ (5,578)	\$ (8,796)

<sup>1</sup> Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial notifications of truancy distributed.

In addition, Government code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

#### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support for the current school year. We recommend that the district exclude from this count those notifications that it distributes for charter school students and duplicate notifications that it distributes for the same student.

#### District’s Response

The district concurred with the audit finding regarding duplicate initial truancy notifications and notifications distributed in calendar years 1998 and 1999.

The district had the following comments regarding initial truancy notifications issued for charter school students:

The SCO’s position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in January 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO’s claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

#### SCO’s Comment

Our finding and recommendation are unchanged. The district states, “The SCO is applying a new position retroactively to a time period when the prohibition did not exist.” We disagree. Chapter 1459, Statutes of 1984, added Government Code section 17519, which defines a school district. The definition does not include charter schools. On May 25, 2006, the Commission on State Mandates (CSM) issued its Charter Schools III statement of decision affirming that a charter school is not a school district as defined in Government Code section 17519, and thus is not eligible to claim reimbursement under Government Code section 17560. Therefore, both the statutory language and the CSM’s statement of decision were effective before the district submitted its mandated cost claims.

**FINDING 2—  
Non-reimbursable  
initial truancy  
notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$26,216 for FY 2005-06. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences to be classified as truant under the mandated program.

The district's records identify those students for whom the district issued a "Letter 1," Letter 2," or "Letter 3." The initial truancy notification is Letter 1. The district issues Letter 2 and Letter 3 when the student accumulates additional unexcused absences after the district issued the initial truancy notification.

We stratified the population of allowable initial truancy notifications documented in Finding 1 to identify those students for whom the district issued Letter 1 only. These students accumulated the fewest number of unexcused absences. We excluded students who attended school on a year-round schedule.

The district accounts for student attendance differently depending on the student's grade level. Therefore, we further stratified these students into two groups: those students subject to daily attendance accounting and those subject to period attendance accounting. The district issued only Letter 1 for 4,230 students subject to daily attendance accounting and 3,505 students subject to period attendance accounting.

For each group of students, we selected a statistical sample of initial truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used statistical samples so that we could project the sample results to the population for each group.

The district claimed non-reimbursable initial truancy notifications for the following reasons:

- Students accumulated only three unexcused absences or tardiness occurrences.
- Students accumulated fewer than four unexcused absences or tardiness occurrences while between ages 6 and 18.
- Students accumulated fewer than three unexcused absences or tardiness occurrences.

The following table summarizes the non-reimbursable initial truancy notifications:

	Fiscal Year 2005-06
<u>Daily Attendance Accounting</u>	
Accumulated only three unexcused absences and tardiness occurrences	(31)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(9)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(12)</u>
Unallowable initial truancy notifications, daily attendance accounting	<u>(52)</u>

Fiscal Year  
2005-06

Period Attendance Accounting

Accumulated only three unexcused absences and tardiness occurrences	(3)
Accumulated fewer than four unexcused absences and tardiness occurrences between ages 6 and 18	(2)
Accumulated fewer than three unexcused absences and tardiness occurrences	<u>(2)</u>
Unallowable initial truancy notifications, period attendance accounting	<u><u>(7)</u></u>

The following table summarizes the number of unallowable initial truancy notifications identified from the sample, the sample size, the unallowable percentage, the extrapolated number of unallowable initial truancy notifications, and the audit adjustment:

Fiscal Year  
2005-06

Daily Attendance Accounting

Number of unallowable initial truancy notifications from sample	(52)
Sample size	<u>÷ 145</u>
Unallowable percentage	(35.86)%
Population sampled	<u>× 4,230</u>
Extrapolated number of unallowable initial truancy notifications	(1,517)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, daily attendance accounting	<u>(23,574)</u>

Period Attendance Accounting

Number of unallowable initial truancy notifications from sample	(7)
Sample size	<u>÷ 144</u>
Unallowable percentage	(4.86)%
Population sampled	<u>× 3,505</u>
Extrapolated number of unallowable initial truancy notifications	(170)
Uniform cost allowance	<u>× \$15.54</u>
Unallowable costs, period attendance accounting	<u>(2,642)</u>
Audit adjustment	<u><u>\$ (26,216)</u></u>

Education Code section 48260, subdivision (a), as amended in 1994 states:

*Any pupil subject to compulsory full-time education or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the schoolday [sic] without a valid excuse on three occasions in one school year, or any combination thereof, is a truant. . . .*

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

For FY 2005-06, the parameters and guidelines state that initial truancy occurs when a student is absent from school without a valid excuse *more* than three days or is tardy in excess of 30 minutes on each of *more* than three days in one school year. As the CSM did not amend the parameters and guidelines until July 1, 2006, an initial truancy notification is reimbursable for FY 2005-06 only when a student has accumulated four or more unexcused absences or tardiness occurrences while between the ages of 6 and 18 years.

Effective July 1, 2006, the CSM adopted amended parameters and guidelines for the Notification of Truancy Program. The amended parameters and guidelines state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

### Recommendation

We recommend that the district claim initial truancy notifications only for those students who meet the truancy definition provided in the parameters and guidelines.

### District's Response

... The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's) ...

#### 1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's and G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min [*sic*] tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to sent notifications according to *E.C.* yet reimbursement was limited by dated P's & G's.

### SCO's Comment

Our finding and recommendation are unchanged. The district states, "The SCO determined that the District sent notifications *prior to the required number of absences* [emphasis added]. . . ." The district's statement is inaccurate. The notifications are unallowable because the



district's records show that the students did not accumulate the required number of unexcused absences and/or tardiness occurrences at any time during the school year.

We agree that the district is required to comply with Education Code section 48260.5. However, mandate-related reimbursable costs are limited to allowable costs identified in the mandated program's parameters and guidelines. We disagree that "an unfunded mandate was placed on the district." Pursuant to Government Code section 17550 et al, school districts are responsible for identifying state-mandated costs and filing test claims for reimbursement of those costs. This district and all other California school districts failed to file a test claim in response to Chapter 1023, Statutes of 1994. This legislation amended Education Code section 48260 and renumbered it to Education Code section 48260, subdivision (a), revising the definition of initial truancy.

**FINDING 3—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$361,966 for FY 2006-07, FY 2007-08, and FY 2008-09. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

Effective July 1, 2006, the parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48290) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

For FY 2006-07, FY 2007-08, and FY 2008-09, the district distributed initial truancy notifications that did not include the last three items identified above.

As a result, 3/8 (37.5%) of the unit cost allowance is unallowable for each notification. The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of noncompliant initial truancy notifications	19,260	18,909	18,458	
Uniform cost allowance	× \$16.15	× \$17.28	× \$17.74	
Subtotal	311,049	326,748	327,445	
Unallowable percentage	× (37.5)%	× (37.5)%	× (37.5)%	
Audit adjustment	<u>\$ (116,643)</u>	<u>\$ (122,531)</u>	<u>\$ (122,792)</u>	<u>\$ (361,966)</u>

### Recommendation

We recommend that the district revise its initial truancy notification to comply with the minimum requirements specified in the parameters and guidelines.

### District's Response

The SCO's finding is based on language missing from the notification . . . The District acknowledges the notifications were indeed missing these [three] components and has updated the language of the current notification. The District stresses however it was meeting the primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) ". . . 1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. . . .

### SCO's Comment

Subsequent to our final audit report issued October 27, 2010, we revised Finding 3 to allow a prorated amount of the unit cost allowance for noncompliant initial truancy notifications. Our recommendation is unchanged.

The district confirmed that its initial truancy notifications did not include all elements required by the parameters and guidelines. The district infers that there are three separate and distinct reimbursable activities associated with the initial truancy notification process. We disagree. The CSM amended the parameters and guidelines on January 31, 2008, with an effective date of July 1, 2006. Section IV, subsection B.2, identifies a single ongoing reimbursable activity, "notification process," as follows:

IV. REIMBURSABLE COSTS

B. Reimbursable Activities

2. Notification process—On-going

Identifying the truant pupils to receive the notification, preparing and distributing by first-class mail or other reasonable means the forms to parents/guardians, and associated recordkeeping *to provide parents/guardians with the following required information* [emphasis added] upon a pupil's initial classification as a truant . . . .

The district did not provide all of the required information to parents/guardians. Therefore, we prorated the allowable unit cost allowance based on the number of required items missing from each noncompliant initial truancy notification.

**Attachment—  
District’s Response to  
Draft Audit Report**

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SUPERINTENDENT  
Carl Toliver

September 21, 2010

Jim L. Spano, CPA  
Chief, Compliance Audits Bureau  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

RE: Stockton Unified School District  
Notification of Truancy  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2005/06 thru 2008/09

This letter responds to the draft audit report issued by the State Controller's Office (SCO) with regard to costs claimed by Stockton Unified School District (District) for the legislatively mandated Notification of Truancy Program for fiscal years 2005/06 through 2008/09. The District extends its gratitude to the SCO staff for their professional courtesy throughout the audit and appreciates the opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

Finding 1) Overstated, understated and unallowable truancy notifications:

The District claimed costs for 21,816 initial truancy notifications for FY's 2005/06. Of that total, the SCO disallowed 566 notifications related to; Notifications sent in prior fiscal years; Notification sent to charter school students and; Notifications counted twice. The majority of the disallowed notifications are due to duplicate count.

- 1) The SCO's position that charter schools are not eligible claimants was not known at the time these claims were filed. The SCO is applying a new position retroactively to a time period when the prohibition did not exist. Parameters and Guidelines adopted in Jan 2008 and May 2010 do not identify charter schools as ineligible claimants. The SCO's claiming instructions for this program, issued in September 2009, also do not identify charter schools as being ineligible despite claiming instructions on other mandated cost programs, issued during the same time period, do identify charter schools as ineligible

September 21, 2010

Page Two

Re: Stockton Unified School District  
Notification of Truancy  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2005/06 thru 2008/09

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claimants. Had the SCO intended to advise claimants of the prohibition it could have done so when it published the claiming instructions.

- 2) The District regrets the disallowance related to including notifications made in prior years and duplicate notifications and has no issues regarding this part of the finding.

Finding 2) Non-reimbursable truancy notifications:

The SCO is disallowing an additional 1,687 initial truancy notifications of the 21,816 claimed, for FY 2005/06. The SCO determined that the District sent notifications prior to the required number of absences as described by the Parameters and Guidelines (P's & G's). The number of disallowed notices was arrived at by statistical sampling.

1) Parameters and Guidelines:

- a. This finding rests on the discrepancy between the P's & G's and the Education Code (*E.C.*). Chapter 498, Statutes of 1983 added *E.C.* §48260.5 requiring parental notification of truancy upon a student's fourth unexcused absence or tardy in excess of 30 minutes. In 1994 *E.C.* §48260.5 was amended to require parental notification upon the third unexcused absence or 30min tardy. Accordingly the District, in compliance with §48260.5 sent notices upon the third unexcused absence or 30min tardy. Yet although *E.C.* was updated, the P's & G's were not and remained outdated until their amendment effective July 1, 2006. While the amended P's & G's now mirror *E.C.* it is too late however to fix a twelve year old discrepancy. The District regrets the disallowance while noting that in effect, an unfunded mandate was placed on the District by the requirement to send notification according to *E.C.* yet reimbursement was limited by dated P's & G's.

Finding 3) Non-compliant initial truancy notifications:

The District claimed costs for 19,260 truancy notifications sent for FY 2006/07, 18,909 for FY 2007/08 and 18,458 for 2008/09 totaling \$965,242 in claimed costs. The SCO has disallowed all 56,627 notifications resulting in zero allowable costs.

September 21, 2010

Page Three

Re: Stockton Unified School District  
Notification of Truancy  
Audit of Annual Mandate Reimbursement Claim  
Fiscal Years 2005/06 thru 2008/09

---

- 1) The SCO's finding is based on language missing from the notification. Education code §48260.5 (a-h) describes the necessary contents of the notice. There are eight components and the notifications being disallowed did not contain the components §48260.5 [f] ("That the pupil may be subject to prosecution under Section 48264"), §48260.5 [g] ("That the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege...") and §48260.5[h] ("That it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day."). The District acknowledges the notifications were indeed missing these components and has updated the language of the current notification. The District stresses however it was meeting its primary responsibility under *E.C.* §48260 which is to notify parents/guardians of their son or daughter's classification as a "truant." Unfortunately though, the SCO's finding rests wholly on the missing language. The uniform cost allowance, adopted by the Commission in July 1993 was intended to reimburse claimants for (in part) "...1) identifying the truant pupils to receive the notification, 2) preparing and distributing by mail or other method the forms to parents/guardians, and 3) associated recordkeeping." It is not solely a representation of the cost of the notification itself. The SCO's finding is entirely weighted on the notification. It does not account for activities required prior to sending the notice which are identified as reimbursable and included in the uniform cost allowance. How does the missing language render these null and void? The District recognizes the past deficiencies of its notification and believes some reduction of its reimbursement is appropriate however it strongly disagrees with the SCO's over-reaching disallowance of all claimed costs. The District urges the SCO to reconsider its position.

---

The District thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,



Jason Willis  
Chief Financial Officer

JW:ddb

C: Wayne Martin, Executive Director, Business Services  
Dee Alimbini, Administrator, Child Welfare & Attendance  
Joe Rombold, School Innovations & Advocacy

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
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**<http://www.sco.ca.gov>**



# **SWEETWATER UNION HIGH SCHOOL DISTRICT**

Revised Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983

*July 1, 2000, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

October 2005



**STEVE WESTLY**  
California State Controller

October 7, 2005

Bruce A. Husson, Superintendent  
Sweetwater Union High School District  
1130 Fifth Avenue  
Chula Vista, CA 91911-2896

Dear Mr. Husson:

The State Controller's Office audited the claims filed by the Sweetwater Union High School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

The district claimed \$501,643 for the mandated program. Our audit disclosed that \$472,974 is allowable and \$28,669 is unallowable. The unallowable costs occurred because the district overstated the number of reimbursable initial truancy notification forms distributed. The district was paid \$285,878. Allowable costs claimed in excess of the amount paid total \$187,096.

This revised final report supersedes our previous final report, issued on October 28, 2004. We revised the report to remove the audit results for fiscal year 1999-2000.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone at (916) 323-3562 or by e-mail at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/ams

cc: Dr. Rudy M. Castruita, County Superintendent of Schools  
San Diego County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Educational Consultant  
School Fiscal Services Division  
California Department of Education  
Gerry Shelton, Director  
Fiscal and Administrative Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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## Revised Audit Report

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# Revised Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Sweetwater Union High School District for costs of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was October 3, 2003.

The district claimed \$501,643 for the mandated program. The audit disclosed that \$472,974 is allowable and \$28,669 is unallowable. The unallowable costs occurred because the district overstated the number of reimbursable initial truancy notification forms distributed. The district was paid \$285,878. Allowable costs claimed in excess of the amount paid total \$187,096.

## Background

*Education Code* Section 48260.5 (added by Chapter 498, Statutes of 1983) requires school district's, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means of (1) the pupil's truancy; (2) that the parent or guardian is obligated to compel the attendance of the pupil at school; and (3) that parents or guardians who fail to meet this obligation may be guilty of an infraction and be subject to prosecution.

Additionally, the district must inform parents and guardians of (1) alternative educational programs available in the district and (2) the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy. A truancy occurs when a student is absent from school without a valid excuse for more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year, according to *Education Code* Section 48260. A student shall be initially classified as truant upon the fourth unexcused absence, after which the school must complete the requirements mandated in *Education Code* Section 48260.5.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandated and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 27, 1987, and last amended it on July 22, 1993. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

Our audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983) for the period of July 1, 2000, through June 30, 2002.

We performed the following procedures.

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

We limited our review of the district's management controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

The audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Sweetwater Union High School District claimed \$501,643 for costs of the Notification of Truancy Program. Our audit disclosed that \$472,974 is allowable and \$28,669 is unallowable.

For FY 2000-01, the district was paid \$104,070 by the State. Our audit disclosed that \$230,744 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$126,674, will be paid by the State based on available appropriations.

For FY 2001-02, the district was paid \$181,808 by the State. Our audit disclosed that \$242,230 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$60,422, will be paid by the State based on available appropriations.

**Views of  
Responsible  
Official**

We issued a draft report on December 5, 2003. Lawrence Hendee, Coordinator/Mandated Costs, Sweetwater Union High School District, responded by letter dated January 12, 2004. The district neither agreed nor disagreed with the finding. The district's response was included in as an attachment in the final report issued October 28, 2004.

**Follow-up  
Correspondence**

In a letter to COSM, dated June 20, 2005, the district questioned our authority to audit the FY 1999-2000 claim because the statute of limitations for initiating an audit had expired. We have two years following the end of the calendar year in which the claim was filed to initiate an audit. The SCO logged in the district's claim on January 16, 2001. Therefore, our audit, initiated on January 15, 2003, was within the statutory period to initiate an audit. However, in response to the district's letter, we reviewed the filed claims and noticed that the claim should have been logged in on December 29, 2000. Consequently, the audit was not started within the statutory time period. Therefore, the audit results for FY 1999-2000 have been removed from this revised final report.

**Restricted Use**

This report is solely for the information and use of the Sweetwater Union High School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Revised Schedule 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Number of truancy notifications	19,155	18,126	(1,029)
Uniform cost allowance	× \$12.73	× \$12.73	× \$12.73
Total costs	<u>\$ 243,843</u>	\$ 230,744	<u>\$ (13,099)</u>
Less amount paid by the State		<u>(104,070)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 126,674</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Number of truancy notifications	19,969	18,763	(1,206)
Uniform cost allowance	× \$12.91	× \$12.91	× \$12.91
Total costs	<u>\$ 257,800</u>	\$ 242,230	<u>\$ (15,570)</u>
Less amount paid by the State		<u>(181,808)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,422</u>	
<u>Summary: July 1, 2000, through June 30, 2002</u>			
Total costs	<u>\$ 501,643</u>	\$ 472,974	<u>\$ (28,669)</u>
Less amount paid by the State		<u>(285,878)</u>	
Total allowable costs claimed in excess of (less than) amount paid		<u>\$ 187,096</u>	

<sup>1</sup> See the Finding and Recommendation section.



# Revised Finding and Recommendation

## **FINDING— Overclaimed number of initial truancy notification forms distributed**

The district claimed \$28,669 during the audit period for initial truancy notification forms distributed to a pupil's parent or guardian that were not reimbursable. The pupils did not accumulate the number of unexcused absences necessary to be classified as truant under the mandated program. The audit adjustment is summarized as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Allowable costs per audit	\$ 230,744	\$ 242,230	\$ 472,974
Less actual costs claimed	<u>(243,843)</u>	<u>(257,800)</u>	<u>(501,643)</u>
Audit adjustment	<u>\$ (13,099)</u>	<u>\$ (15,570)</u>	<u>\$ (28,669)</u>

We selected a statistical sample from the total population of pupils claimed as truant for each year based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We used a statistical sample so that the sample results could be projected to the population.

We reviewed truancy notification forms and attendance records for a random sample of 149 pupils claimed as truant in each fiscal year. The forms contained the five specified elements required by the mandate. However, the attendance records showed that various pupils had less than four unexcused absences. Initial truancy notifications for these pupils are unallowable. The number of unallowable truancy notifications identified in the sample, the unallowable percentage, and the projected audit adjustment are summarized below.

	Fiscal Year		Total
	2000-01	2001-02	
Number of unallowable truancy notifications	8	9	
Truant pupils sampled	÷ 149	÷ 149	
Unallowable percentage	(5.37)%	(6.04)%	
Truancy notifications claimed	× 19,155	× 19,969	
Projected unallowable truancy notifications	(1,029)	(1,206)	
Uniform cost allowance	× \$12.73	× \$12.91	
Audit adjustment	<u>\$ (13,099)</u>	<u>\$ (15,570)</u>	<u>\$ (28,669)</u>

*Parameters and Guidelines*, as amended by the Commission on State Mandates on July 22, 1993, specifies that school districts shall be reimbursed for identifying the truant pupils to receive the notification, preparing and distributing by mail or other method the forms to parents/guardians, and associated recordkeeping using a uniform cost allowance. The uniform cost allowance, which was \$10.21 per initial notification of truancy in FY 1992-93, is adjusted each subsequent year by the Implicit Price Deflator.

*Parameters and Guidelines*, as amended by the Commission on State Mandates, allows the district to be reimbursed for claimed costs if the initial truancy notification forms distributed to parents or guardians contain five specified elements. *Education Code* Section 48260.5 was amended by Chapter 1023, Statutes of 1994, (effective January 1, 1995) to require three additional elements. However, since *Parameters and Guidelines* has not been amended, the claimant continues to be reimbursed if it complied with the five specified elements in the guidelines.

*Parameters and Guidelines* states that a truancy occurs when a student is absent from school without valid excuse more than three days or is tardy in excess of 30 minutes on each of more than three days in one school year.

#### Recommendation

We recommend the district claim reimbursement under the Notification of Truancy Program only for truancy notifications applicable to pupils who are absent from school without valid excuse or tardy more than 30 minutes for more than three days in one school year. Although *Education Code* Section 48260(a) (as amended in 1994), defines a truant student as one who is absent from school without valid excuse for three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, *Parameters and Guidelines* requires at least four unexcused absences for the pupil to be classified as a reimbursable truant.

In addition, we recommend the district update its initial truancy notification form to include the eight specified elements required by the *Education Code*.

#### District's Response

I have examined the audit dated December 5, 2003. I have no comments regarding the accuracy of the information presented.

This memo should not be understood to waive any rights to recover funding through any administrative or other avenues available to the district.

#### SCO's Comment

The finding remains unchanged.

**Attachment—  
District’s Response to  
Draft Audit Report**

---



**MANDATED COSTS**  
1130 Fifth Avenue  
Chula Vista CA 91911-2896  
(619) 585-4450

January 12, 2004

Jim Spano, Chief  
Compliance Audits Bureau  
State Controller's Office  
Box 942850  
Sacramento CA 94250-5874

RE: Sweetwater Union High School District  
Chapter 498, Statutes of 1983  
Notification of Truancy Audit

Dear Mr. Spano,

I have examined the audit dated December 5, 2003. I have no comments regarding the accuracy of the information presented.

This memo should not be understood to waive any rights to recover funding through any administrative or other avenues available to the district.

Thank you for the opportunity to respond.

Sincerely,

Lawrence L. Hendee  
Coordinator/Mandated Costs

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**

S03-MCC-023

# **SWEETWATER UNION HIGH SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983;  
Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995;  
and Chapter 69, Statutes of 2007

*July 1, 2006, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

April 2012



**JOHN CHIANG**  
**California State Controller**

April 11, 2012

Pearl Quiñones, President  
Board of Trustees  
Sweetwater Union High School District  
1130 Fifth Ave  
Chula Vista, CA 91911-2896

Dear Ms. Quinoñes:

The State Controller's Office audited the costs claimed by the Sweetwater Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable. The costs are unallowable because the district claimed unallowable and noncompliant initial truancy notifications. The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/bf

cc: Edward Brand, Ed.D., Interim Superintendent  
Sweetwater Union High School District  
Dianne Russo, Acting Deputy Superintendent  
Fiscal Services  
Sweetwater Union High School District  
Karen Michel, Director  
Fiscal Services  
Sweetwater Union High School District  
Sharon Moreno, Accounting Technician  
Fiscal Services  
Sweetwater Union High School District  
Randolph E. Ward, Ed.D., Superintendent of Schools  
San Diego County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office



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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Sweetwater Union High School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2006, through June 30, 2010.

The district claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for the mandated program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable. The costs are unallowable because the district claimed unallowable and noncompliant initial truancy notifications. The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance

with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2006, through June 30, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Sweetwater Union High School District claimed \$1,423,308 (\$1,428,715 less a \$5,407 penalty for filing late claims) for costs of the Notification of Truancy Program. Our audit disclosed that \$1,271,939 is allowable and \$151,369 is unallowable.

The State paid the district \$187,605. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,084,334, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on March 21, 2012. Karen Michel, Director, Fiscal Services; and Sharon Moreno, Accounting Technician, Fiscal Services, agreed with the audit results. Regarding Finding 1, the district stated that it has revised its truancy notification procedures to eliminate the possibility of issuing and claiming more than one initial truancy notification per student during a school year. Ms. Michel declined a draft audit report and agreed that we could issue the audit report as final.

## **Restricted Use**

This report is solely for the information and use of the Sweetwater Union High School District, the San Diego County Office of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

April 11, 2012

**Schedule 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Number of initial truancy notifications	22,315	23,358	1,043	Finding 1
Uniform cost allowance	x \$16.15	x \$16.15	x \$16.15	
Subtotal <sup>2</sup>	\$ 360,387	\$ 377,232	\$ 16,845	
Noncompliant initial truancy notifications	-	(47,154)	(47,154)	Finding 2
Total program costs	<u>\$ 360,387</u>	330,078	<u>\$ (30,309)</u>	
Less amount paid by the State		(58,418)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,660</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Number of initial truancy notifications	26,710	26,476	(234)	Finding 1
Uniform cost allowance	x \$17.28	x \$17.28	x \$17.28	
Subtotal <sup>2</sup>	\$ 461,549	\$ 457,505	\$ (4,044)	
Noncompliant initial truancy notifications	-	(57,188)	(57,188)	Finding 2
Total program costs	<u>\$ 461,549</u>	400,317	<u>\$ (61,232)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 400,317</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Number of initial truancy notifications	20,734	21,766	1,032	Finding 1
Uniform cost allowance	x \$17.74	x \$17.74	x \$17.74	
Subtotal <sup>2</sup>	\$ 367,821	\$ 386,129	\$ 18,308	
Noncompliant initial truancy notifications	-	(48,266)	(48,266)	Finding 2
Less late filing penalty	(954)	(954)	-	
Total program costs	<u>\$ 366,867</u>	336,909	<u>\$ (29,958)</u>	
Less amount paid by the State		(83,126)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 253,783</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Number of initial truancy notifications	13,372	13,372	-	Finding 1
Uniform cost allowance	x \$17.87	x \$17.87	x \$17.87	
Subtotal <sup>2</sup>	\$ 238,958	\$ 238,958	\$ -	
Noncompliant initial truancy notifications	-	(29,870)	(29,870)	Finding 2
Less late filing penalty	(4,453)	(4,453)	-	
Total program costs	<u>\$ 234,505</u>	204,635	<u>\$ (29,870)</u>	
Less amount paid by the State		(46,061)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 158,574</u>		
<u>Summary: July 1, 2006, through June 30, 2010</u>				
Total costs	\$ 1,428,715	\$ 1,277,346	\$ (151,369)	
Less late filing penalty	(5,407)	(5,407)	-	
Total program costs	<u>\$ 1,423,308</u>	1,271,939	<u>\$ (151,369)</u>	
Less amount paid by the State		(187,605)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,084,334</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Calculation differences due to rounding.

# Findings and Recommendations

## **FINDING 1— Overstated and understated allowable initial truancy notifications**

The district overstated or understated the number of allowable initial truancy notifications distributed for each fiscal year. For the audit period, the district understated claimed costs by \$31,109.

For each fiscal year, the district provided a list of students for whom it distributed initial truancy notifications. The number of notifications documented did not agree with the number of notifications claimed. In addition, each list included unallowable notifications. We identified the following issues from the notifications documented:

- For some students, the district distributed more than one notification (duplicate notifications) to the students' parents/guardians during the school year. A student's *initial* truancy notification is the only notification eligible for mandated program reimbursement.
- The district distributed notifications for charter school students during fiscal year (FY) 2007-08 and FY 2008-09. Charter school activities are not eligible for mandated program reimbursement.

The following table details the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Number of notifications documented	23,467	26,781	22,294	
Less number of notifications claimed	(22,315)	(26,710)	(20,734)	
Understated number of notifications	1,152	71	1,560	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Audit adjustment	\$ 18,605	\$ 1,227	\$ 27,674	\$ 47,506
Duplicate notifications	(109)	(302)	(522)	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	
Audit adjustment	\$ (1,760)	\$ (5,219)	\$ (9,260)	(16,239)
Charter school student notifications	-	(3)	(6)	
Uniform cost allowance	x \$16.15	\$17.28	x \$17.74	
Audit adjustment	\$ -	\$ (52)	\$ (106)	(158)
Total audit adjustment <sup>1</sup>	\$ 16,845	\$ (4,044)	\$ 18,308	\$ 31,109

<sup>1</sup> Calculation differences due to rounding.

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that county the number of notifications or other contacts which may result from the initial truancy notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government code section 17519 defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

### Recommendation

We recommend that the district claim the number of allowable initial truancy notifications that its records support. We recommend that the district exclude from this count those notifications distributed for charter school students and multiple notifications distributed for the same student during the school year.

## **FINDING 2— Noncompliant initial truancy notifications**

The district claimed unallowable costs totaling \$182,478. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notification forms that notify parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with Education Code section 48290) of Chapter 2 of Part 27.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil’s truancy.
6. The pupil may be subject to prosecution under Education Code section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil’s driving privileges pursuant to Vehicle Code section 13202.7.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.



The district distributed notifications that did not include the eighth item above. Therefore, we allowed only 87.5% (7/8) of the unit cost allowance for each notification.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2006-07	2007-08	2008-09	2009-10	
Number of notifications claimed	22,315	26,710	20,734	13,372	
Adjustments from Finding 1:					
Understated notifications	1,152	71	1,560	-	
Duplicate notifications	(109)	(302)	(522)	-	
Charter school notifications	-	(3)	(6)	-	
Allowable notifications	23,358	26,476	21,766	13,372	
Uniform cost allowance	x \$16.15	x \$17.28	x \$17.74	x \$17.87	
Subtotal	\$ 377,232	\$ 457,505	\$ 386,129	\$ 238,958	
Unallowable percentage	x (12.5)%	x (12.5)%	x (12.5)%	x (12.5)%	
Audit adjustment	\$ (47,154)	\$ (57,188)	\$ (48,266)	\$ (29,870)	\$ (182,478)

### Recommendation

We recommend that the district ensure that all initial truancy notifications comply with the minimum requirements specified in the parameters and guidelines.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **TWIN RIVERS UNIFIED SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007

*July 1, 2010, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

June 2015



**BETTY T. YEE**  
California State Controller

June 5, 2015

Rebecca Sandoval, President  
Board of Trustees  
Twin Rivers Unified School District  
3222 Winona Way  
North Highlands, CA 95660

Dear Ms. Sandoval:

The State Controller's Office audited the costs claimed by the Twin Rivers Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$376,812 for the mandated program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/gj

cc: Steven Martinez, Ed.D., Superintendent  
Twin Rivers Unified School District  
Bill McGuire, Deputy Superintendent  
Twin Rivers Unified School District  
Kate Ingersoll, Executive Director Fiscal Services  
Twin Rivers Unified School District  
Robert Roach, Budget Technician  
Twin Rivers Unified School District  
Keith Nezaam, Staff Finance Budget Analyst  
Education Systems Unit  
California Department of Finance  
Debbie Wilkins, Coordinator  
District Fiscal Services  
Sacramento County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Twin Rivers Unified School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2010, through June 30, 2012.

The district claimed \$376,812 for the mandated program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (Commission)) determined that Chapter 498, Statutes of 1983, imposed a State mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the State mandated and define the reimbursement criteria. The Commission adopted parameters and guidelines on August 27, 1987. The Commission subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2010, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.



For the audit period, the Twin Rivers Unified School District claimed \$376,812 for costs of the Notification of Truancy Program. Our audit found that \$366,355 is allowable and \$10,457 is unallowable.

The State made no payments to the district. Our audit found that \$366,355 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$366,355, contingent upon available appropriations.

### **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on April 20, 2015. Kate Ingersoll, Executive Director of Fiscal Services; and Robert Roach, Budget Technician, agreed with the audit results. Ms. Ingersoll declined a draft audit report and agreed that we could issue the audit report as final.

### **Restricted Use**

This report is solely for the information and use of the Twin Rivers Unified School District, the Sacramento County Office of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

June 5, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011</u>				
Number of initial truancy notifications	9,345	9,345	—	
Uniform cost allowance	× \$18.29	× \$18.29	× —	
Total program costs <sup>2</sup>	<u>\$ 170,920</u>	\$ 170,920	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 170,920</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Number of initial truancy notifications	10,888	10,335	(553)	Findings 1 & 2
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91	
Total program costs <sup>2</sup>	<u>\$ 205,892</u>	195,435	<u>\$ (10,457)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 195,435</u>		
<u>Summary: July 1, 2010, through June 30, 2012</u>				
Total program costs	<u>\$ 376,812</u>	\$ 366,355	<u>\$ (10,457)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 366,355</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

**FINDING 1—  
Understated and  
unallowable initial  
truancy notifications**

The district understated the number of initial truancy notifications it distributed and also claimed unallowable initial truancy notifications for fiscal year (FY) 2011-12. The unallowable costs total \$3,101 (understated by \$19,044 and overstated by \$22,145).

For FY 2011-12, the district claimed costs for distributing 10,888 truancy notifications during the school year to students’ parents or guardians. The district provided a list taken from its attendance accounting systems that supported the distribution of 11,397 notifications, a difference of 509 initial truancy notifications. Additionally, there were 673 unallowable initial truancy notifications distributed, 481 for students in charter schools and 192 for independent study students, based on the district’s electronic list.

Government Code section 17519, defines a “school district” as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. Government Code section 17560, states that a local agency or school district may claim reimbursement for State-mandated costs. Therefore, charter schools are not eligible for reimbursement of State-mandated costs.

Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.

The following table summarizes the overstated number of initial truancy notifications claimed and resulting audit adjustments:

	Fiscal Year 2011-12
Initial truancy notifications supported by district	11,397
Less initial truancy notifications claimed	<u>(10,888)</u>
Understated initial truancy notifications	509
Unallowable charter school notifications	(481)
Unallowable independent study student notifications	<u>(192)</u>
(Overclaimed) initial truancy notifications	(164)
Uniform cost allowance	<u>x \$18.91</u>
Audit adjustment	<u>\$ (3,101)</u>

The program's parameters and guidelines require the district to provide documentation that shows the total number of initial truancy notifications distributed. The mandated program reimburses claimants based on a uniform cost allowance, and the number of allowable and reimbursable notifications documented.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim the number of allowable initial truancy notifications that its records support. We also recommend that the district exclude from this count any notifications that it distributes to charter school students and independent study students.

#### **FINDING 2— Non-reimbursable initial truancy notifications**

The district claimed non-reimbursable initial truancy notifications totaling \$13,483. The district claimed initial truancy notifications that it distributed for students who did not accumulate the required number of unexcused absences or tardiness occurrences while between the ages of 6 and 18 to be classified as truant under the mandated program. Under California law, only students between the ages of six and eighteen are subject to compulsory school attendance.

For each fiscal year, we selected a statistical sample of truancy notifications based on a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We based our samples on the "population sample," as identified in the table on the next page, containing the details of the audit adjustment. We used a statistical sample so that we could project the sample results to the population. The district accounts for student attendance differently depending on the student's grade level. Therefore, we stratified the allowable population into two groups for each year: elementary students subject to daily attendance accounting, and middle and high school students subject to period attendance accounting. We selected our samples from the lists of students that the district provided, which were taken from its online attendance accounting system. We excluded notifications distributed for charter school students, and independent study students identified in Finding 1 above, from the stratified populations.

The following table summarizes the non-reimbursable initial truancy notifications identified from our statistical sample:

	Fiscal Year	
	2010-11	2011-12
Unexcused absences or tardiness occurrences when:		
Students were under six years of age	(4)	(9)
Students were 18 years of age or older	(6)	(3)
Unallowable initial truancy notifications	<u>(10)</u>	<u>(12)</u>

The following table summarizes the audit adjustment based on the unallowable initial truancy notifications identified for each group sampled:

	Fiscal Year		Total
	2010-11	2011-12	
<u>Elementary Schools</u>			
Unallowable initial truancy notifications	(4)	(9)	
Sample size	÷ 144	÷ 145	
Percentage of unallowable initial truancy notifications	(2.78)%	(6.21)%	
Population sampled	x 3,699	x 4,071	
Extrapolated number of unallowable initial truancy notifications	(103)	(253)	
Uniform cost allowance	x \$18.29	x \$18.91	
Audit adjustment - elementary schools	\$ (1,884)	\$ (4,784)	\$ (6,668)
<u>Middle/High Schools</u>			
Unallowable initial truancy notifications	(6)	(3)	
Sample size	÷ 146	÷ 147	
Percentage of unallowable initial truancy notifications	(4.11)%	(2.04)%	
Population sampled	x 5,646	x 6,653	
Extrapolated number of unallowable initial truancy notifications	(232)	(136)	
Uniform cost allowance	x \$18.29	x \$18.91	
Audit adjustment - middle/high schools	\$ (4,243)	\$ (2,572)	\$ (6,815)
Total audit adjustment	<u>\$ (6,127)</u>	<u>\$ (7,356)</u>	<u>\$ (13,483)</u>

Education Code section 48200 states that children between the ages of 6 and 18 are subject to compulsory full-time education. Therefore, student absences that occur before the student's 6<sup>th</sup> birthday or after the student's 18<sup>th</sup> birthday are not relevant when determining whether a student is a truant.

Education Code section 48260, subdivision (a), states:

*Any pupil subject to compulsory full-time or to compulsory continuation education [emphasis added] who is absent from school without valid excuse three full days in one school year or tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof, is a truant.*

The parameters and guidelines (section 1–Background and Summary of Mandate) state:

A truancy occurs when a student is absent from school without valid excuse three (3) full days in one school year, or is tardy or absent without valid excuse for more than any thirty (30)-minute period during the school day on three (3) occasions in one school year, or any combination thereof.

#### Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district claim initial truancy notifications only for those students who accumulate the required number of unexcused absences or tardiness occurrences while subject to compulsory full-time education.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**

# **VICTOR ELEMENTARY SCHOOL DISTRICT**

Audit Report

## **NOTIFICATION OF TRUANCY PROGRAM**

Chapter 498, Statutes of 1983;  
Chapter 1023, Statutes of 1994;  
Chapter 19, Statutes of 1995; and  
Chapter 69, Statutes of 2007

*July 1, 2008, through June 30, 2011*



**JOHN CHIANG**  
California State Controller

August 2013





**JOHN CHIANG**  
**California State Controller**

August 28, 2013

Gabriel Stine, D.C., President  
Board of Trustees  
Victor Elementary School District  
15579 8<sup>th</sup> Street  
Victorville, CA 92395

Dear Dr. Stine:

The State Controller's Office audited the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$385,455 for the mandated program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCFORM.pdf](http://www.csm.ca.gov/docs/IRCFORM.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Jan Gonzales, Superintendent  
Victor Elementary School District  
Debbie Betts, Assistant Superintendent, Administrative Services  
Victor Elementary School District  
Jackie Jauregui, Interim Director, Fiscal Services  
Victor Elementary School District  
Beth Erickson, Director of Purchasing  
Victor Elementary School District  
Bette Harrison, President  
San Bernardino County Board of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2008, through June 30, 2011.

The district claimed \$385,455 for the mandated program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The costs are unallowable because the district claimed unsupported and non-reimbursable initial truancy notifications. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

## Background

Education Code section 48260.5 (added by Chapter 498, Statutes of 1983) originally required school districts, upon a pupil's initial classification as a truant, to notify the pupil's parent or guardian by first-class mail or other reasonable means that: (1) the pupil is truant; (2) parents or guardians are obligated to compel the pupil's attendance at school; (3) parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution; (4) alternative educational programs are available in the district; and (5) they have the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.

Chapter 1023, Statutes of 1994, amended Education Code section 48260.5 to additionally require school districts to notify the pupil's parent or guardian that (1) the pupil may be subject to prosecution; (2) the pupil may be subject to suspension, restriction, or delay of the pupil's driving privilege; and (3) it is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

Chapter 1023, Statutes of 1994, and Chapter 19, Statutes of 1995, amended Education Code section 48260 and renumbered it to section 48260, subdivision (a), stating that a pupil is truant when he or she is absent from school without valid excuse three full days in one school year or is tardy or absent for more than any 30-minute period during the school day without a valid excuse on three occasions in one school year, or any combination thereof.

On November 29, 1984, the State Board of Control (now the Commission on State Mandates (CSM)) determined that Chapter 498, Statutes of 1983, imposed a state mandate upon school districts reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987. The CSM subsequently amended the parameters and guidelines four times, most recently on May 27, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and schools districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 2008, through June 30, 2011.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Victor Elementary School District claimed \$385,455 for costs of the Notification of Truancy Program. Our audit found that \$336,737 is allowable and \$48,718 is unallowable. The State paid the district \$49,049. The State will pay allowable costs claimed that exceed the amount paid, totaling \$287,688, contingent upon available appropriations.

## **Views of Responsible Officials**

We issued a draft audit report on July 19, 2013. We contacted Debbie Betts, Assistant Superintendent, Administrative Services; and Beth Erickson, Director, Fiscal Services, by email on August 8, 2013, and August 14, 2013. Ms. Betts and Ms. Erickson did not respond to our requests for a written response to the draft audit report.

**Restricted Use**

This report is solely for the information and use of the Victor Elementary School District, the San Bernardino County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

August 28, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 2008, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>			
Number of initial truancy notifications	4,884	7,055	2,171
Uniform cost allowance	× \$17.74	× \$17.74	× \$17.74
Subtotal	\$ 86,642	\$ 125,156	\$ 38,514
Less allowable costs that exceed costs claimed <sup>2</sup>	—	(38,514)	(38,514)
Total program costs	<u>\$ 86,642</u>	86,642	<u>\$ —</u>
Less amount paid by the State		(19,632)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,010</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Number of initial truancy notifications	8,381	7,101	(1,280)
Uniform cost allowance	× \$17.87	× \$17.87	× \$17.87
Total program costs <sup>3</sup>	<u>\$ 149,768</u>	\$ 126,894	<u>\$ (22,874)</u>
Less amount paid by the State		(29,417)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 97,477</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Number of initial truancy notifications	8,149	6,736	(1,413)
Uniform cost allowance	× \$18.29	× \$18.29	× \$18.29
Total program costs	<u>\$ 149,045</u>	\$ 123,201	<u>\$ (25,844)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 123,201</u>	
<u>Summary: July 1, 2008, through June 30, 2011</u>			
Subtotal of program costs	\$ 385,455	\$ 375,251	\$ (10,204)
Less allowable costs that exceed costs claimed	—	(38,514)	(38,514)
Total program costs	<u>\$ 385,455</u>	336,737	<u>\$ (48,718)</u>
Less amount paid by the State		(49,049)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 287,688</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2008-09.

<sup>3</sup> Calculation differences due to rounding.

# Finding and Recommendation

**FINDING—  
Understated and  
overstated initial  
truancy notifications  
claimed**

The district understated or overstated allowable costs for each fiscal year. For the audit period, the district overstated claimed costs by \$10,204. The costs were understated or overstated due to the following reasons:

- For each fiscal year, the district provided lists identifying those students for whom the district distributed initial truancy notifications. The number of notifications documented on the student lists did not support the number of initial truancy notifications claimed for each fiscal year. The student lists indicated that the district either understated or overstated the number of notifications claimed during each fiscal year.
- The number of initial truancy notifications documented included notifications distributed for students who attended charter schools. Charter school activities are not eligible for mandated program reimbursement.
- The number of initial truancy notifications documented included notifications distributed for independent study students. Independent study students are evaluated for compliance with their individual independent study agreements. They do not attend a normal class schedule and thus are not evaluated for normal school attendance tardiness or daily absences unless/until they return to a regular classroom schedule. Therefore, the initial truancy notification process is not applicable to independent study students.
- The student lists showed that for some students, the district distributed more than one notification to the students' parents/guardians during the school year. A student's initial truancy notification is the only notification eligible for mandated program reimbursement.



The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of initial truancy notifications documented	7,319	7,345	7,141	
Less number of initial truancy notifications claimed	<u>(4,884)</u>	<u>(8,381)</u>	<u>(8,149)</u>	
Understated/(overstated) number of initial truancy notifications	2,435	(1,036)	(1,008)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ 43,197</u>	<u>\$ (18,513)</u>	<u>\$ (18,436)</u>	\$ 6,248
Number of charter school initial truancy notifications	(64)	(58)	(96)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (1,135)</u>	<u>\$ (1,037)</u>	<u>\$ (1,756)</u>	(3,928)
Number of independent study initial truancy notifications	(72)	(44)	(169)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (1,277)</u>	<u>\$ (786)</u>	<u>\$ (3,091)</u>	(5,154)
Duplicate truancy notifications	(128)	(142)	(140)	
Uniform cost allowance	<u>× \$17.74</u>	<u>× \$17.87</u>	<u>× \$18.29</u>	
Unallowable costs	<u>\$ (2,271)</u>	<u>\$ (2,538)</u>	<u>\$ (2,561)</u>	(7,370)
Audit adjustment	<u>\$ 38,514</u>	<u>\$ (22,874)</u>	<u>\$ (25,844)</u>	<u>\$ (10,204)</u>

The program's parameters and guidelines instruct claimants to claim mandate-related costs as follows:

Report the number of initial notifications of truancy distributed during the year. Do not include in that count the number of notifications or other contacts which may result from the initial notification to the parent or guardian.

The parameters and guidelines also require claimants to maintain documentation that supports the total number of initial truancy notifications distributed.

In addition, Government Code section 17519 defines a "school district" as any school district, community college district, or county superintendent of schools. This definition does not include charter schools. As a result, charter school activities are not eligible for reimbursement under Government Code section 17560.

Recommendation

We recommend that the district claim the number of allowable initial truancy notification letters that its records support. We also recommend that the district exclude from this count those letters that it distributes for charter school and independent study students, and duplicate notifications that it distributes for the same student during the school year.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**



**JOHN CHIANG**  
California State Controller

October 10, 2013

Debbie Betts, Assistant Superintendent  
Administrative Services  
Victor Elementary School District  
15579 8<sup>th</sup> Street  
Victorville, CA 92395

Dear Ms. Betts:

The State Controller's Office reviewed the costs claimed by the Victor Elementary School District for the legislatively mandated Notification of Truancy Program (Chapter 498, Statutes of 1983; Chapter 1023, Statutes of 1994; Chapter 19, Statutes of 1995; and Chapter 69, Statutes of 2007) for the period of July 1, 2011, through June 30, 2012. Our review was limited to ensuring that all initial truancy notifications contained the minimum information required by the program's parameters and guidelines.

The district claimed \$71,612 for the mandated program. Our review found that \$17,903 is allowable and \$53,709 is unallowable. The costs are unallowable because the district claimed noncompliant initial truancy notifications, as described in the attached Summary of Program Costs, and Finding and Recommendation.

For the fiscal year 2011-12 claim, the State made no payment to the district. Our review found that \$17,903 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCFORM.pdf](http://www.csm.ca.gov/docs/IRCFORM.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

Attachments

RE: S13-MCC-948

cc: Jackie Jauregui, Director, Fiscal Services  
Victor Elementary School District  
Bette Harrison, President  
San Bernardino County Board of Education  
Scott Hannan, Director, School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director, Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2011, through June 30, 2012**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>July 1, 2011, through June 30, 2012</u>			
Number of initial truancy notifications	3,787	3,787	—
Uniform cost allowance	× \$18.91	× \$18.91	× \$18.91
Subtotal	\$ 71,612	\$ 71,612	\$ —
Noncompliant initial truancy notifications	—	(53,709)	(53,709)
Total program costs	<u>\$ 71,612</u>	17,903	<u>\$ (53,709)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,903</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

## Attachment 2— Finding and Recommendation July 1, 2011, through June 30, 2012

**FINDING—  
Noncompliant initial  
truancy notifications**

The district claimed unallowable costs totaling \$53,709 for fiscal year 2011-12. The costs are unallowable because the district distributed initial truancy notifications that did not comply with the parameters and guidelines.

The parameters and guidelines require that districts distribute initial truancy notifications notifying parents/guardians of the following eight items:

1. The pupil is truant.
2. The parent or guardian is obligated to compel the attendance of the pupil at school.
3. Parents or guardians who fail to meet this obligation may be guilty of an infraction and subject to prosecution pursuant to Article 6 (commencing with section 48260 [*sic*]) of Chapter 2 of Part 27 of the Education Code.
4. Alternative educational programs are available in the district.
5. The parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the pupil's truancy.
6. The pupil may be subject to prosecution under Section 48264.
7. The pupil may be subject to suspension, restriction, or delay of the pupil's driving privileges pursuant to Section 13202.7 of the Vehicle Code.
8. It is recommended that the parent or guardian accompany the pupil to school and attend classes with the pupil for one day.

The district distributed notifications that included only items 1 and 5 listed above; the notifications did not contain the remaining six items. Therefore, 6/8 (75%) of the unit cost allowance for each notification is unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year 2011-12
Number of notifications claimed	3,787
Uniform cost allowance	× \$18.91
Subtotal	\$ 71,612
Unallowable percentage	× (75)%
Audit adjustment	\$ (53,709)

Recommendation

We recommend that the district ensure that all initial truancy notifications contain the minimum information required by the parameters and guidelines.