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August 11, 2015
Commission on
State Mandates

BETTY T. YEE
California State Controller

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.

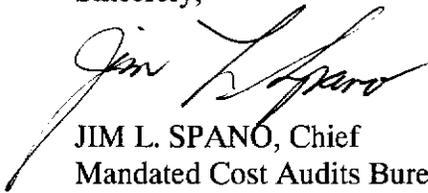
We acknowledge that the district addressed the issue related to timely initiation of the SCO's audit of the FY 2006-07 reimbursement claim in its November 2, 2011 response to the draft audit report issued on October 25, 2011. However, issues disputed by a claimant in responding to a draft audit report 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
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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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TAB 1

1 **OFFICE OF THE STATE CONTROLLER**

3301 C Street, Suite 725

2 Sacramento, CA 94816

Telephone No.: (916) 324-8907

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BEFORE THE

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COMMISSION ON STATE MANDATES

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STATE OF CALIFORNIA

6

7 INCORRECT REDUCTION CLAIM ON:

No.: CSM 13-904133-I-11

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Notification of Truancy Program

AFFIDAVIT OF BUREAU CHIEF

9

Education Code section 48260.5

Statutes 1983, Chapter 498

Statutes 1994, Chapter 1023

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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
- 19 4, 2011, (Tab 2) which was addressed to the district's Associate Superintendent/CFO and
- 20 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.

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I declare that the above declarations are made under penalty of perjury and are true and correct

22 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

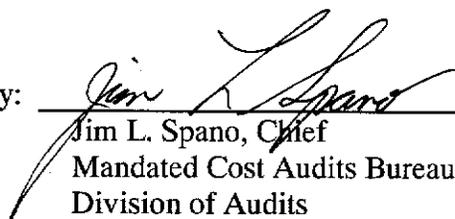
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OFFICE OF THE STATE CONTROLLER

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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;

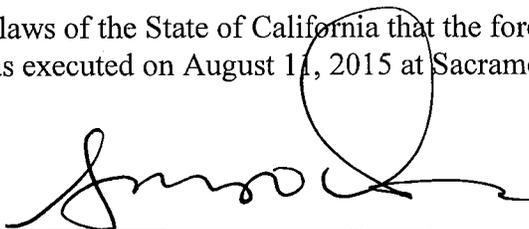
Statutes 1995, Chapter 19

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:

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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