

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING PROGRAM

Chapter 828, Statutes of 1997

July 1, 1997, through June 30, 2003



BETTY T. YEE
California State Controller

July 2015



BETTY T. YEE
California State Controller

July 7, 2015

Beth Hergesheimer, President
Board of Trustees
San Dieguito Union High School District
710 Encinitas Boulevard
Encinitas, CA 92024

Dear Ms. Hergesheimer:

The State Controller's Office audited the costs claimed by the San Dieguito Union High School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2003.

The district claimed \$1,158,274 for the mandated program. Our audit found that \$72,759 is allowable and \$1,085,515 is unallowable. The costs are unallowable primarily because the district claimed the ineligible and unsupported costs, misstated the indirect cost rates, and did not report the applicable offsetting revenues. The State paid the district \$306,949 from funds appropriated under Chapter 724, Statutes of 2010. The amount paid exceeds allowable costs claimed by \$234,190.

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/as

cc: Rick Schmitt, Superintendent
 San Dieguito Union High School District
Eric R. Dill, Associate Superintendent
 Business Services
 San Dieguito Union High School District
Delores Perley, Chief Financial Officer
 San Dieguito Union High School District
Brent Watson, Executive Director
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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 San Dieguito Union High School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2003.

The district claimed \$1,158,274 for the mandated program. Our audit found that \$72,759 is allowable and \$1,085,515 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported costs, misstated the indirect cost rates, and did not report the applicable offsetting revenues. The State paid the district \$306,949 from funds appropriated under Chapter 724, Statutes of 2010. The amount paid exceeds allowable costs claimed by \$234,190.

Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at Title 5, *California Code of Regulations*, sections 850 through 904, established the STAR Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with a nationally normed achievement test designated by the State Board of Education. School districts administered the Stanford Achievement Test, Ninth Edition (SAT-9) in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT-9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (Commission) determined that Chapter 828, Statutes of 1977, and the implementing regulations at California Code of Regulations, Title 5, section 850 through 904, imposed a State mandate upon school districts reimbursable under Government Code section 17561 commencing October 10, 1997.

The parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

On reconsideration by Statutes of 2004, Chapter 216, section 34, and Statutes 2004, chapter 895, section 19, the Commission found that effective July 1, 2004, many of the reimbursable activities were either federally mandated or no longer required, and thus were not reimbursable. Accordingly, the Commission deleted the non-reimbursable activities and renamed the program to the National Norm-Referenced Achievement Test Program effective July 1, 2004.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the STAR Program for the period of July 1, 1997, through June 30, 2003.

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 Dieguito Union High School District claimed \$1,158,274 for costs of the STAR Program. Our audit found that \$72,759 is allowable and \$1,085,515 is unallowable.

For the fiscal year (FY) 1997-98, FY 1998-99, FY 2001-02, and FY 2002-03 claims, the State made no payments to the district. Our audit found that \$14,871 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1999-2000 and FY 2000-01 claims, the State paid the district \$306,949 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$57,888 is allowable. The State will apply \$249,061 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

**Views of
Responsible
Officials**

We issued a draft audit report on June 1, 2015. Eric R. Dill, Associate Superintendent, Business Services, responded by letter dated June 9, 2015 (Attachment), agreeing to accept 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 Dieguito 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

July 7, 2015

Schedule—
Summary of Program Costs
July 1, 1997, through June 30, 2003

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1997, through June 30, 1998</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,105 | \$ 5,844 | \$ 3,739 | Finding 1 |
| Test materials, supplies, and equipment | 598 | 1,188 | 590 | Finding 1 |
| Pre-test and post-test coordination | 97,647 | 27,146 | (70,501) | Finding 1 |
| Reporting and recordkeeping | <u>58,995</u> | <u>7,343</u> | <u>(51,652)</u> | Finding 1 |
| Total salaries and benefits | 159,345 | 41,521 | (117,824) | |
| Indirect costs | <u>10,437</u> | <u>2,375</u> | <u>(8,062)</u> | Finding 3 |
| Total direct and indirect costs | 169,782 | 43,896 | (125,886) | |
| Less offsetting reimbursements | <u>-</u> | <u>(52,530)</u> | <u>(52,530)</u> | Finding 4 |
| Subtotal | 169,782 | (8,634) | (178,416) | |
| Adjustment to eliminate negative balance | <u>-</u> | <u>8,634</u> | <u>8,634</u> | |
| Total program costs | <u>\$ 169,782</u> | - | <u>\$ (169,782)</u> | |
| Less amount paid by the State | | <u>-</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ -</u> | | |
| <u>July 1, 1998, through June 30, 1999</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,155 | \$ 313 | \$ (1,842) | Finding 1 |
| Test materials, supplies, and equipment | 612 | 776 | 164 | Finding 1 |
| Pre-test and post-test coordination | 102,935 | 20,740 | (82,195) | Finding 1 |
| Test administration | - | 686 | 686 | Finding 1 |
| Reporting and recordkeeping | <u>62,414</u> | <u>4,573</u> | <u>(57,841)</u> | Finding 1 |
| Total salaries and benefits | 168,116 | 27,088 | (141,028) | |
| Indirect costs | <u>11,012</u> | <u>1,368</u> | <u>(9,644)</u> | Finding 3 |
| Total direct and indirect costs | 179,128 | 28,456 | (150,672) | |
| Less offsetting reimbursements | <u>-</u> | <u>(45,374)</u> | <u>(45,374)</u> | Finding 4 |
| Subtotal | 179,128 | (16,918) | (196,046) | |
| Adjustment to eliminate negative balances | <u>-</u> | <u>16,918</u> | <u>16,918</u> | |
| Total program costs | <u>\$ 179,128</u> | - | <u>\$ (179,128)</u> | |
| Less amount paid by the State | | <u>-</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ -</u> | | |

Schedule (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1999, through June 30, 2000</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,208 | \$ - | \$ (2,208) | Finding 1 |
| Test materials, supplies, and equipment | 627 | 506 | (121) | Finding 1 |
| Pre-test and post-test coordination | 108,985 | 24,314 | (84,671) | Finding 1 |
| Reporting and recordkeeping | 66,343 | 6,013 | (60,330) | Finding 1 |
| Total salaries and benefits | 178,163 | 30,833 | (147,330) | |
| Indirect costs | 11,670 | 1,492 | (10,178) | Finding 3 |
| Total direct and indirect costs | 189,833 | 32,325 | (157,508) | |
| Less offsetting reimbursements | - | (12,683) | (12,683) | Finding 4 |
| Total program costs | <u>\$ 189,833</u> | 19,642 | <u>\$ (170,191)</u> | |
| Less amount paid by the State ² | | (102,586) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (82,944)</u> | | |
| <u>July 1, 2000, through June 30, 2001</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 2,263 | \$ 615 | \$ (1,648) | Finding 1 |
| Test materials, supplies, and equipment | 643 | 743 | 100 | Finding 1 |
| Pre-test and post-test coordination | 117,176 | 29,148 | (88,028) | Finding 1 |
| Test administration | - | 693 | 693 | Finding 1 |
| Reporting and recordkeeping | 71,719 | 5,070 | (66,649) | Finding 1 |
| Total salaries and benefits | 191,801 | 36,269 | (155,532) | |
| Indirect costs | 12,562 | 1,977 | (10,585) | Finding 3 |
| Total direct and indirect costs | 204,363 | 38,246 | (166,117) | |
| Less offsetting reimbursements | | - | - | |
| Total program costs | <u>\$ 204,363</u> | 38,246 | <u>\$ (166,117)</u> | |
| Less amount paid by the State ² | | (204,363) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (166,117)</u> | | |

Schedule (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2001, through June 30, 2002</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | | | | |
| Training, Policies, and procedures | \$ 16,441 | \$ 23 | \$ (16,418) | Finding 1 |
| Test materials, supplies, and equipment | 643 | 101 | (542) | Finding 1 |
| Pre-test and post-test coordination | 123,375 | 17,466 | (105,909) | Finding 1 |
| Test administration | 16,424 | - | (16,424) | Finding 1 |
| Reporting and recordkeeping | 75,143 | 1,413 | (73,730) | Finding 1 |
| Total salaries and benefits | <u>232,026</u> | <u>19,003</u> | <u>(213,023)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | <u>27</u> | <u>27</u> | <u>-</u> | |
| Total materials and supplies | <u>27</u> | <u>27</u> | <u>-</u> | |
| Total direct costs | 232,053 | 19,030 | (213,023) | |
| Indirect costs | <u>12,926</u> | <u>1,060</u> | <u>(11,866)</u> | Finding 3 |
| Total direct and indirect costs | 244,979 | 20,090 | (224,889) | |
| Less offsetting reimbursements | <u>-</u> | <u>(13,584)</u> | <u>(13,584)</u> | Finding 4 |
| Total program costs | <u>\$ 244,979</u> | 6,506 | <u>\$ (238,473)</u> | |
| Less amount paid by the State | <u>-</u> | <u>-</u> | <u>-</u> | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 6,506</u> | | |
| <u>July 1, 2002, through June 30, 2003</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 107,594 | \$ 1,063 | \$ (106,531) | Finding 1 |
| Test materials, supplies, and equipment | 117 | 118 | 1 | Finding 1 |
| Pre-test and post-test coordination | 23,001 | 14,750 | (8,251) | Finding 1 |
| Test administration | 13,605 | - | (13,605) | Finding 1 |
| Reporting and recordkeeping | 10,497 | 1,673 | (8,824) | Finding 1 |
| Total salaries and benefits | <u>154,814</u> | <u>17,604</u> | <u>(137,210)</u> | |
| Materials and supplies: | | | | |
| Test materials, supplies, and equipment | <u>6,732</u> | <u>2,886</u> | <u>(3,846)</u> | Finding 2 |
| Total materials and supplies | <u>6,732</u> | <u>2,886</u> | <u>(3,846)</u> | |
| Total direct costs | 161,546 | 20,490 | (141,056) | |
| Indirect costs | <u>8,643</u> | <u>1,096</u> | <u>(7,547)</u> | Finding 3 |
| Total direct and indirect costs | 170,189 | 21,586 | (148,603) | |
| Less offsetting reimbursements | <u>-</u> | <u>(13,221)</u> | <u>(13,221)</u> | Finding 4 |
| Total program costs | <u>\$ 170,189</u> | 8,365 | <u>\$ (161,824)</u> | |
| Less amount paid by the State | <u>-</u> | <u>-</u> | <u>-</u> | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 8,365</u> | | |

Schedule (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------------|------------------------|-----------------------|------------------------|
| <u>Summary: July 1, 1997, through June 30, 2003</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits: | | | | |
| Training, policies, and procedures | \$ 132,766 | \$ 7,858 | \$ (124,908) | |
| Test materials, supplies, and equipment | 3,240 | 3,432 | 192 | |
| Pre-test and post-test coordination | 573,119 | 133,564 | (439,555) | |
| Test administration | 30,029 | 1,379 | (28,650) | |
| Reporting and recordkeeping | 345,111 | 26,085 | (319,026) | |
| Total salaries and benefits | <u>1,084,265</u> | <u>172,318</u> | <u>(911,947)</u> | |
| Materials and supplies: | | | | |
| Training, policies, and procedures | 27 | 27 | - | |
| Test materials, supplies, and equipment | 6,732 | 2,886 | (3,846) | |
| Total materials and supplies | <u>6,759</u> | <u>2,913</u> | <u>(3,846)</u> | |
| Total direct costs | 1,091,024 | 175,231 | (915,793) | |
| Indirect costs | <u>67,250</u> | <u>9,368</u> | <u>(57,882)</u> | |
| Total direct and indirect costs | 1,158,274 | 184,599 | (973,675) | |
| Less offsetting reimbursements | <u>-</u> | <u>(137,392)</u> | <u>(137,392)</u> | |
| Subtotal | 1,158,274 | 47,207 | (1,111,067) | |
| Adjustment to eliminate negative balance | <u>-</u> | <u>25,552</u> | <u>25,552</u> | |
| Total program costs | <u>\$ 1,158,274</u> | 72,759 | <u>\$ (1,085,515)</u> | |
| Less amount paid by the State | | <u>(306,949)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (234,190)</u> | | |

¹ See the Findings and Recommendations section.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$1,084,265 in salaries and benefits for the audit period. We found that \$172,318 is allowable and \$911,947 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs and understated the productive hourly rates.

The following table summarizes the salaries and benefits audit adjustment by fiscal year:

| | Fiscal Year | | | | | | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Salaries and benefits: | | | | | | | |
| Training, policies, and procedures | \$ 3,739 | \$ (1,842) | \$ (2,208) | \$ (1,648) | \$ (16,418) | \$ (106,531) | \$ (124,908) |
| Test materials, supplies, and equipment | 590 | 164 | (121) | 100 | (542) | 1 | 192 |
| Pre-test and post-test coordination | (70,501) | (82,195) | (84,671) | (88,028) | (105,909) | (8,251) | (439,555) |
| Test administration | - | 686 | - | 693 | (16,424) | (13,605) | (28,650) |
| Reporting and recordkeeping | (51,652) | (57,841) | (60,330) | (66,649) | (73,730) | (8,824) | (319,026) |
| Audit adjustment | <u>\$ (117,824)</u> | <u>\$ (141,028)</u> | <u>\$ (147,330)</u> | <u>\$ (155,532)</u> | <u>\$ (213,023)</u> | <u>\$ (137,210)</u> | <u>\$ (911,947)</u> |

Unsupported and Ineligible Costs

For each fiscal year in the audit period, the district provided employee certifications to support the hours claimed. The certifications identify the hours claimed for each employee by reimbursable activity and fiscal year. We reconciled the hours reported on the certifications to the claimed hours. We accepted all hours supported with source documentation that met the reimbursable requirements of the mandated program. Review of supporting documentation revealed that the district claimed unsupported and ineligible costs totaling \$870,008.

The following table summarizes the unsupported and ineligible costs for the audit period by fiscal year:

| | Fiscal Year | | | | | | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Salaries and benefits: | | | | | | | |
| Training, policies, and procedures | \$ 3,739 | \$ (1,728) | \$ (2,208) | \$ (1,231) | \$ (16,403) | \$ (105,738) | \$ (123,569) |
| Test materials, supplies, and equipment | 501 | 358 | - | 466 | (514) | - | 811 |
| Pre-test and post-test coordination | (75,132) | (79,263) | (79,186) | (74,445) | (97,539) | (1,868) | (407,433) |
| Test administration | - | 936 | - | 1,163 | (16,424) | (13,605) | (27,930) |
| Reporting and recordkeeping | (52,092) | (56,614) | (58,268) | (63,762) | (73,137) | (8,014) | (311,887) |
| Audit adjustment | <u>\$ (122,984)</u> | <u>\$ (136,311)</u> | <u>\$ (139,662)</u> | <u>\$ (137,809)</u> | <u>\$ (204,017)</u> | <u>\$ (129,225)</u> | <u>\$ (870,008)</u> |

For the Training, Policies, and Procedures cost component, the district claimed ineligible costs of \$8,298 and unsupported costs of \$115,271. The ineligible costs claimed are for exceeding the one-time training per employee requirement. The parameters and guidelines (section IV.A., Reimbursable Activities – Training Policies and Procedures) state:

Reviewing the requirements of the STAR Program and conducting or attending training sessions. Increased costs for substitute teacher time during the school day or for teacher stipends to attend training sessions outside the regular school day (after school or on Saturday) are eligible for reimbursement. However, the time the teacher spends to attend training sessions during that teacher's normal classroom hours is not reimbursable. (One-time activity per employee per test site).

For the Test Materials, Supplies, and Equipment cost component; Pre-test and Post-test Coordination cost component; Test Administration cost component; and the Reporting and Recordkeeping cost component, the district claimed ineligible costs of \$59,734 and unsupported costs of \$686,705. The ineligible costs claimed are for ineligible activities, such as time claimed by a teacher during his or her normal classroom hours. The parameters and guidelines (section VI.A, Supporting Data – Source Documents) state:

...all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Document may include, but not be limited to worksheets, employee time records of time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities...

Understated Productive Hourly Rates

The district was unable to provide us with worksheets identifying how the claimed productive hourly rates were calculated. Therefore, we requested and the district provided us with payroll documentation to support the salary and benefit costs paid for each claimed employee for FY 2001-02 and FY 2002-03. Using the payroll reports provided by the district, we recalculated the productive hourly rates for the claimed employees and determined that the productive hourly rates were understated. When we applied the allowable hours by the recalculated productively hourly rates, we found that the district under-claimed costs by \$6,852 for FY 2001-02 and \$3,469 for FY 2002-03.

We determined that the productively hourly rates for FY 1997-98 through FY 2000-01 and for FY 2002-03 were calculated in the same manner as for FY 2001-02 and FY 2002-03. As the district was unable to provide payroll records for the beginning of the audit period, we allowed a yearly average of \$5,160 $((\$6,852 + \$3,469) / 2)$ for FY 1997-98 through FY 2000-01 and for FY 2002-03. The district agreed with this approach. In total, we found that the district under-claimed costs by a total of \$30,961 for the audit period.

The following table summarizes the understated productive hourly rate adjustment for the audit period by fiscal year:

| | Fiscal Year | | | | | | Total |
|---|-------------|----------|-----------|----------|----------|----------|-----------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Salaries and benefits: | | | | | | | |
| Training, policies, and procedures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Test materials, supplies, and equipment | 89 | 89 | 89 | 138 | 39 | 89 | 533 |
| Pre-test and post-test coordination | 4,631 | 4,631 | 4,631 | 6,166 | 3,096 | 4,631 | 27,786 |
| Test administration | - | - | - | - | - | - | - |
| Reporting and recordkeeping | 440 | 440 | 440 | 548 | 334 | 440 | 2,642 |
| Audit adjustment | \$ 5,160 | \$ 5,160 | \$ 5,160 | \$ 6,852 | \$ 3,469 | \$ 5,160 | \$ 30,961 |

Reimbursable Percentage

To calculate allowable costs, we multiplied the allowable hours by the allowable productive hourly rates for the various employee classifications involved in each reimbursable activity. We further calculated the portion of the salary and benefit costs attributed to the STAR tests that are reimbursable under the mandate.

The district's Standardized Testing and Reporting (STAR) Program costs included the following tests: California Standards Test (CST); California Alternate Performance Assessment (CAPA); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); and the Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately identifying costs by individual test. Consequently, the district claimed costs not reimbursable under the mandate.

To segregate reimbursable costs, we determined the percentages of the tests that relate to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represent the ratio of mandated tests divided by all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs are as follows: 100% for FY 1997-98, 73.28% for FY 1998-99, 70.62% for FY 1999-2000, 59.61% for FY 2000-01, 60.37% for FY 2001-02, and 57.25% for FY 2002-03.

The following table summarizes unallowable salaries and benefits related to the non-reimbursable portion of the STAR tests by fiscal year and reimbursable component:

| | Fiscal Year | | | | | | Total |
|---|-------------|------------|-------------|-------------|-------------|-------------|-------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Salaries and benefits: | | | | | | | |
| Training, policies, and procedures | \$ - | \$ (114) | \$ - | \$ (417) | \$ (15) | \$ (793) | \$ (1,339) |
| Test materials, supplies, and equipment | - | (283) | (210) | (504) | (67) | (88) | (1,152) |
| Pre-test and post-test coordination | - | (7,563) | (10,116) | (19,749) | (11,466) | (11,014) | (59,908) |
| Test administration | - | (250) | - | (470) | - | - | (720) |
| Reporting and recordkeeping | - | (1,667) | (2,502) | (3,435) | (927) | (1,250) | (9,781) |
| Audit adjustment | \$ - | \$ (9,877) | \$ (12,828) | \$ (24,575) | \$ (12,475) | \$ (13,145) | \$ (72,900) |

Recommendation

No recommendation is applicable for this finding, as the STAR Program is no longer mandated.

District's Response

The district accepted the finding.

FINDING 2— Unallowable materials and supplies

The district claimed \$6,759 in materials and supplies for the audit period (\$27 in FY 2001-02 and \$6,732 in FY 2002-03). We found that \$2,913 is allowable and \$3,846 is unallowable. The costs are unallowable because the district claimed ineligible costs for the Test Materials, Supplies, and Equipment cost component for FY 2002-03.

For FY 2002-03, the district claimed \$1,691 to replace recessed lights. We determined that this was not a mandated cost and that entire amount claimed is unallowable. In addition, the district claimed 100% of the costs incurred for the purchase of test materials. However, as previously discussed in Finding 1, the CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate. Therefore, we multiplied the costs claimed by the reimbursable ratio of mandated tests to the number of all STAR tests administered and found that \$2,155 is unallowable.

The following table summarizes the materials and supplies audit adjustment:

| | Amount Claimed | Mandate Related Percentage | Amount Allowable | Audit Adjustment |
|-----------------------------------|-------------------|----------------------------------|---------------------|---------------------|
| 2002-03 Materials and supplies: | | | | |
| Sundown Lighting | \$ 1,691 | 0.00% | \$ - | \$ (1,691) |
| Harcourt Inc. and McGraw Hill Co. | 5,041 | 57.25% | 2,886 | (2,155) |
| Total | \$ 6,732 | | \$ 2,886 | \$ (3,846) |

The parameters and guidelines (section V.A.2., Direct Cost Reporting – Materials and Supplies) state:

Report the costs of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

Recommendation

No recommendation is applicable for this finding, as the STAR Program is no longer mandated.

District's Response

The district accepted the finding.

**FINDING 3—
Unallowable materials
and supplies**

The district claimed \$67,250 in indirect costs for the audit period. Our audit found that \$9,368 is allowable and \$57,882 is unallowable. The costs are unallowable because the district applied the indirect cost rates to unallowable direct costs (see Findings 1 and 2) and misstated the indirect cost rates for FY 1997-98 through FY 2000-01.

For FY 1997-98 through FY 2000-01, the district claimed an indirect cost rate of 6.55%. The parameters and guidelines allow indirect cost rates provisionally approved by the California Department of Education (CDE). The following table summarizes the indirect cost rate variances by fiscal year:

| | Fiscal Year | | | |
|------------------------------|-------------|---------|-----------|---------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 |
| Claimed indirect cost rate | 6.55% | 6.55% | 6.55% | 6.55% |
| Allowable indirect cost rate | 5.72% | 5.05% | 4.84% | 5.45% |
| Difference | -0.83% | -1.50% | -1.71% | -1.10% |

We applied the indirect cost rates provisionally approved by the CDE to the allowable direct costs and found that \$57,882 is unallowable.

The following table summarizes the indirect costs audit adjustment by fiscal year:

| | Fiscal Year | | | | | | Total |
|------------------------------|-------------|------------|-------------|-------------|-------------|------------|-------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Indirect costs: | | | | | | | |
| Allowable direct costs | \$ 41,521 | \$ 27,088 | \$ 30,833 | \$ 36,269 | \$ 19,030 | \$ 20,490 | \$ 175,231 |
| Allowable indirect cost rate | 5.72% | 5.05% | 4.84% | 5.45% | 5.57% | 5.35% | |
| Allowable indirect costs | 2,375 | 1,368 | 1,492 | 1,977 | 1,060 | 1,096 | 9,368 |
| Less claimed indirect costs | 10,437 | 11,012 | 11,670 | 12,562 | 12,926 | 8,643 | 67,250 |
| Audit adjustment | \$ (8,062) | \$ (9,644) | \$ (10,178) | \$ (10,585) | \$ (11,866) | \$ (7,547) | \$ (57,882) |

The parameters and guidelines (section V.B., Indirect Cost Rates) state:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect t cost rate provisionally approved by the California Department of Education.

Recommendation

No recommendation is applicable for this finding, as the STAR Program is no longer mandated.

District’s Response

The district accepted the finding.

**FINDING 4—
Unreported offsetting
reimbursements**

The district did not report offsetting reimbursements totaling \$137,392 because it did not offset the mandate-related portion of the STAR Program apportionment received from the CDE for the audit period.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the audit period, we found that the district received \$178,003 from the CDE.

We calculated the unreported offsetting reimbursement by:

- Verifying the amounts of annual STAR Program apportionments received by the district, and
- Multiplying the reimbursable ratio of mandated tests to the number of all STAR tests administered (as identified in Finding 1).

The following table summarizes the unreported offsetting reimbursements by fiscal year:

| | Fiscal Year | | | | | | Total |
|-------------------------------|-------------|-------------|-------------|---------|-------------|-------------|--------------|
| | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | |
| Offsetting reimbursements: | | | | | | | |
| CDE apportionment | \$ (52,530) | \$ (61,918) | \$ (17,960) | \$ - | \$ (22,502) | \$ (23,093) | \$ (178,003) |
| Mandate-related percentage | 100.00% | 73.28% | 70.62% | 59.61% | 60.37% | 57.25% | |
| Mandate-related apportionment | (52,530) | (45,374) | (12,683) | - | (13,584) | (13,221) | (137,392) |
| Less offset CDE apportionment | - | - | - | - | - | - | - |
| Audit adjustment | \$ (52,530) | \$ (45,374) | \$ (12,683) | \$ - | \$ (13,584) | \$ (13,221) | \$ (137,392) |

The parameters and guidelines (section VII, Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program because of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandated received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from this claim.

Recommendation

No recommendation is applicable for this finding, as the STAR Program is no longer mandated.

District's Response

The district accepted the finding.

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

San Dieguito

Union High School District

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June 9, 2015

Mr. Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 942850

Dear Mr. Spano:

Thank you for the opportunity to respond to the Draft Audit Report of the San Dieguito Union High School District Standardized Testing and Reporting Program. We accept the findings of the report.

The audit covered mandated cost claims for activities occurring between July 1, 1997 and June 30, 2003. Consequently, our ability to locate or reconstruct supporting documentation to substantiate claims reaching back 18 years was impaired. While we would have preferred a more timely audit, we understand the state policies with respect to mandated cost reimbursement which delayed the examination.

We would like to thank and commend that State Controller' Office audit staff for their professionalism and cooperation during the audit period.

Sincerely,



Eric R. Dill
Associate Superintendent
Business Services

cc:
Rick Schmitt, Superintendent
Delores Perley, Chief Financial Officer

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