

CLOVIS UNIFIED SCHOOL DISTRICT

Audit Report

SCHOOL DISTRICT OF CHOICE: TRANSFERS AND APPEALS PROGRAM

Chapter 160, Statutes of 1993, and
Chapter 1262, Statutes of 1994

July 1, 1999, through June 30, 2003



STEVE WESTLY
California State Controller

November 2004



STEVE WESTLY California State Controller

November 5, 2004

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

Dear Mr. Bradley:

The State Controller's Office audited the claims filed by the Clovis Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003.

The district claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that none of the claimed costs is allowable because the district claimed costs that were unsupported. The State paid the district \$320,000, which the district should return.

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 website at 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.

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: Michael Johnson
Assistant Superintendent-Business Services
Clovis Unified School District
Patrick Kraft
Senior Accountant
Clovis Unified School District
Peter G. Mehas, County Superintendent of Schools
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Scott Hannan, Director
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California Department of Education
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Charles Pillsbury, School Apportionment Specialist
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Attachment—District's Response to Draft Audit Report

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Clovis Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003. The last day of fieldwork was December 11, 2003.

The district claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for the mandated program. The audit disclosed that none of the claimed costs is allowable because the district claimed costs that were unsupported. The State paid the district \$320,000. The district should return the total amount to the State.

Background

Education Code Sections 48209.1, 48209.7, 48209.10, 48209.13, and 48209.14 (added and amended by Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) require that any school district may elect to accept inter-district transfers and become a school district of attendance "choice" for pupils from other school districts. They also establish the statutory right of the parent or guardian of a pupil who is prohibited from transferring to appeal this decision to the county board of education.

If a district makes the election, the choice program requires several nondiscriminatory policies:

- Transfers are to be allowed on a random basis, subject to a numerical limit adopted by either the "sending" district of residence or "receiving" district of choice and may be prohibited if they adversely affect either school district's integration program;
- Although districts are not required to establish new programs to accommodate the pupil transfer, the school district of choice cannot prohibit a transfer of a pupil just because the additional cost of educating the pupil would exceed the amount of additional state aid received as a result of the transfer;
- Resident pupils cannot be displaced by a choice transfer;
- Rejected requests for transfer require that the district provide written notification to the parent or guardian of the reason; and
- Once a transfer is granted, the pupil has the right of continuation to other grade levels.

All school districts are required to collect and report data on the number of requests submitted, transfers granted, and transfers denied.

On April 28, 1995, and May 6, 1996, the Commission on State Mandates (COSM) determined that Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines criteria for reimbursement. COSM adopted the *Parameters and Guidelines* on July 25, 1996. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist 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 School District of Choice: Transfers and Appeals Program for the period of July 1, 1999, 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. Our scope was limited 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

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 Finding and Recommendation section of this report.

For the audit period, the Clovis Unified School District claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for School District of Choice: Transfers and Appeals Program costs. Our audit disclosed that none of the claimed costs is allowable.

For fiscal year (FY) 1999-2000, the district was not reimbursed by the State. Our audit disclosed that none of the costs claimed is allowable.

For FY 2000-01, the district was not reimbursed by the State. Our audit disclosed that none of the costs claimed is allowable.

For FY 2001-02, the State paid the district \$320,000. Our audit disclosed that none of the costs claimed is allowable. The district should return the total amount to the State.

For FY 2002-03, the district was not reimbursed by the State. Our audit disclosed that none of the costs claimed is allowable.

**Views of
Responsible
Official**

We issued a draft audit report on September 20, 2004. Terry Bradley, Ed.D., Superintendent, responded by letter dated October 4, 2004, disagreeing with the audit results. The final audit report includes the district's response (Attachment).

Restricted Use

This report is solely for the information and use of the 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

Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 260,191	\$ —	\$(260,191)
Indirect costs	<u>16,782</u>	<u>—</u>	<u>(16,782)</u>
Subtotals	276,973	—	(276,973)
Less late penalty	<u>(1,000)</u>	<u>—</u>	<u>1,000</u>
Total costs	<u>\$ 275,973</u>	<u>—</u>	<u>\$(275,973)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		\$ <u>—</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 280,906	\$ —	\$(280,906)
Indirect costs	<u>19,186</u>	<u>—</u>	<u>(19,186)</u>
Subtotals	300,092	—	(300,092)
Less late penalty	<u>(1,000)</u>	<u>—</u>	<u>1,000</u>
Total costs	<u>\$ 299,092</u>	<u>—</u>	<u>\$(299,092)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		\$ <u>—</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 471,779	\$ —	\$(471,779)
Indirect costs	<u>31,892</u>	<u>—</u>	<u>(31,892)</u>
Subtotals	503,671	—	(503,671)
Less late penalty	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 503,671</u>	<u>—</u>	<u>\$(503,671)</u>
Less amount paid by the State		<u>(320,000)</u>	
Allowable costs claimed in excess of (less than) amount paid		\$ <u>(320,000)</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 274,996	\$ —	\$(274,996)
Indirect costs	<u>20,019</u>	<u>—</u>	<u>(20,019)</u>
Subtotals	295,015	—	(295,015)
Less late penalty	<u>—</u>	<u>—</u>	<u>—</u>
Total costs	<u>\$ 295,015</u>	<u>—</u>	<u>\$(295,015)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		\$ <u>—</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>Summary: July 1, 1999, through June 30, 2003</u>			
Salaries and benefits	\$ 1,287,872	\$ —	\$(1,287,872)
Indirect costs	<u>87,879</u>	<u>—</u>	<u>(87,879)</u>
Subtotals	1,375,751	—	(1,375,751)
Less late penalty	<u>(2,000)</u>	<u>—</u>	<u>2,000</u>
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 1,373,751</u>	<u>—</u>	<u>\$(1,373,751)</u>
Less amount paid by the State		<u>(320,000)</u>	
Total costs		<u><u>\$ (320,000)</u></u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Unallowable salaries, benefits, and related indirect costs

The district claimed unsupported costs of \$1,287,872. The related indirect costs equaled \$87,879.

For the entire audit period, the district estimated the claimed hours and related salaries and benefits. The district provided declaration forms prepared by individual staff members to support its claims. The district prepared the declarations 12 months after the end of the fiscal year for FY 1999-2000 and six months after the end of the fiscal year for FY 2000-01. The district staff prepared FY 2001-02 and FY 2002-03 declarations at the end of each respective fiscal year. The district stated that the hours claimed were based on good faith estimates. The district provided no source documents to validate the estimated hours. From an audit perspective, declarations are unacceptable documentation without source documents to validate the time spent performing the mandated activities.

In addition, the district claimed costs incurred for activities unrelated to the mandate. The district interpreted the *Parameters and Guidelines* to include costs incurred for all information requests. The district claimed costs incurred for information requests for intradistrict transfers, interdistrict transfers based on parent's place of employment (Interdistrict Transfer Requests; Parent's Employment mandate), and other interdistrict transfers (Interdistrict Attendance Permit mandate).

The audit adjustment is summarized as follows:

	Fiscal Year				
	1999-2000	2000-01	2001-02	2002-03	Total
Salaries and benefits	\$ (260,191)	\$ (280,906)	\$ (471,779)	\$ (274,996)	\$ (1,287,872)
Related indirect costs	(16,782)	(19,186)	(31,892)	(20,019)	(87,879)
Audit adjustment	<u>\$ (276,973)</u>	<u>\$ (300,092)</u>	<u>\$ (503,671)</u>	<u>\$ (295,015)</u>	<u>\$ (1,375,751)</u>

Parameters and Guidelines specifies that only actual increased costs incurred to implement alternative pupil attendance choice transfers and supported by appropriate documentation are reimbursable.

Recommendation

We recommend that the district establish and implement policies and procedures to ensure that it properly supports all hours claimed.

District's Response

Clovis Unified School District Has Complied With the Parameters and Guidelines

The Parameters and Guidelines, so far as is relevant to the issues addressed herein, state:

“VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents (e.g. employee time records, invoices, receipts, purchase orders, contracts, etc.) and/or worksheets that show evidence of and the validity of such claimed costs. . . .”

The audit report states, “For the entire audit period, the district estimated the claimed hours and. . . [T]he district provided no source documents to validate the estimated hours.”

This is not a true statement. The district has made available to the auditors “source documents” such as “employee time records and/or worksheets” that show “evidence of, and the validity of” the costs claimed. Each of the documents provided (Form SDC 1.7), entitled “Employee Time Record Sheet for Mandated Costs,” states:

“EMPLOYEE CERTIFICATION: The State of California requires that school district personnel maintain a record of data for state mandates in order for the district to receive reimbursement. Your signature on this form certifies that you have reported actual data or have provided a good faith estimate. This information is used for cost accounting purposes only.”

These time record sheets were then signed by the school district employees who completed them. Each one of these Employee Time Record Sheets contains a month by month tally of time spent by the employee on mandated activities.

The Audit Report also states unallowable costs were due to the report’s assertion that “The district provided declaration forms prepared by individual staff members to support its claims. . . [F]rom an audit perspective, declarations are unacceptable documentation without source documents to validate the time spent performing the mandated activities.”

This is underground rulemaking by the State Controller’s Office. The Parameters and Guidelines require, for “auditing purposes, all costs claimed must be traceable to source documents (e.g. employee time records, invoices, receipts, purchase orders, contracts, etc.) and/or worksheets that show evidence of and the validity of such claimed costs. . . .” The Parameters and Guidelines do not say that declarations¹ are unacceptable documentation without (other) source documents. These certifications satisfy the Parameters and Guidelines in that, as employee time records and/or worksheets, they are, themselves, source documents that show evidence of and the validity of the costs claimed.

¹ Actually, these source documents are not “declarations”, they are “certified” employee time records.

The Parameters and Guidelines do not provide advance notice that declarations (or certified employee time records) are unacceptable documentation. The Commission on State Mandates does not conduct hearings according to technical rules relating to evidence and witnesses and allows the admission of all relevant evidence on which responsible persons are accustomed to rely in the conduct of serious affairs.² The State Controller has engaged in underground rulemaking by announcing, after the fact, that declarations (here, certified employee time records) are not an acceptable form of documents that show evidence of and the validity of the costs claimed.

Therefore, for the reasons stated above, Clovis Unified School District requests that the audit report be changed to comply with the law and to defer any request for payment until the audit report is corrected.

SCO's Comment

The finding and recommendation remains unchanged.

The district has not complied with the *Parameters and Guidelines*. To substantiate the claimed costs, the district provided employee declarations (certified employee time records). As previously stated, the certified employee time records were not prepared at or around the time the mandated activities took place. Instead, the certified time records were prepared either at year-end or later. These records specify estimated hours per month for the entire fiscal year. However, the district did not provide documents, such as employee time records, that would validate the annual hours certified. The district's representatives advised our auditors that such source documents do not exist.

Parameters and Guidelines states that costs claimed must be traceable to source documents that show evidence of and validity of such costs claimed. The certified time records are acceptable documentation, provided the district can make available source documents to substantiate the certification. The audit result is not based on "underground rulemaking" by the SCO, as suggested by the district.

California Code of Regulations Section 1187.5 refers to hearings held by the Commission on State Mandates, not audits conducted by the SCO.

The certified employee time records include time spent for information requests for non-mandate-related activities. The district provided no response on this matter.

² See: Title 2, California Code of Regulations, Section 1187.5

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



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CLOVIS, CA 93611-0567

559.327.9000

www.clovisusd.k12.ca.us

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 4, 2004

GOVERNING BOARD
Sandra A. Bengel
Brian D. Heryford
Ginny L. Hovsepian
Richard Lake, C.P.A.
Elizabeth J. Sandoval
Jim Van Volkenburg, D.D.S.
Susan M. Walker, D.H.Sc.

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

Re: Clovis Unified School District
School District of Choice: Transfers and Appeals
Fiscal Years 1999-2000 through 2002-2003

Dear Mr. Spano:

This letter is the response of Clovis Unified School District to the letter of Vincent P. Brown dated September 20, 2004 which enclosed a Draft Copy of your Audit Report of the district's School District of Choice: Transfers and Appeals program, Chapter 160, Statutes of 1993 and Chapter 1262, Statutes of 1994, for the period of July 1, 1999 through June 30, 2003.

Clovis Unified School District Has Complied With the Parameters and Guidelines

The Parameters and Guidelines, so far as is relevant to the issues addressed herein, state:

"VII. SUPPORTING DATA

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Jim L. Spano, Chief
California State Controller
October 4, 2004

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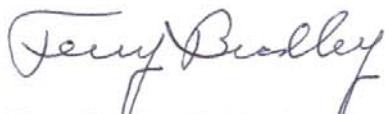
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Jim L. Spano, Chief
California State Controller
October 4, 2004

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Sincerely,



Terry Bradley, Ed.D., Superintendent
Clovis Unified School District

C: Michael Johnston, Assistant Superintendent-Business Services
Patrick Kraft, Senior Accountant

² See: Title 2, California Code of Regulations, Section 1187.5

**State Controller's Office
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