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Implementation of State Auditor's Recommendations

Audits Released in January 2009 Through December 2010

Special Report to
Assembly Budget Subcommittee #2—Education Finance



March 2011 Report 2011-406 A2

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March 7, 2011

2011-406 A2

The Honorable Susan Bonilla, Chair
Assembly Budget Subcommittee No. 2
State Capitol
Sacramento, California 95814

Dear Assemblymember Bonilla:

The State Auditor's Office presents this special report for the Assembly Budget Subcommittee No. 2—Education Finance. The report summarizes the audits and investigations we issued during the previous two years that are within this subcommittee's purview. Additionally, the report includes the major findings and recommendations, along with the corrective actions auditees reportedly have taken to implement our recommendations. To facilitate the use of the report, we have included a table that summarizes the status of each agency's implementation efforts based on its most recent response.

This information is also available in a special report that is organized by policy areas that generally correspond to the Assembly and Senate standing committees. This special policy area report includes a table that identifies monetary values that auditees could realize if they implemented our recommendations, and is available on our Web site at www.bsa.ca.gov. Finally, we notify auditees of the release of these special reports.

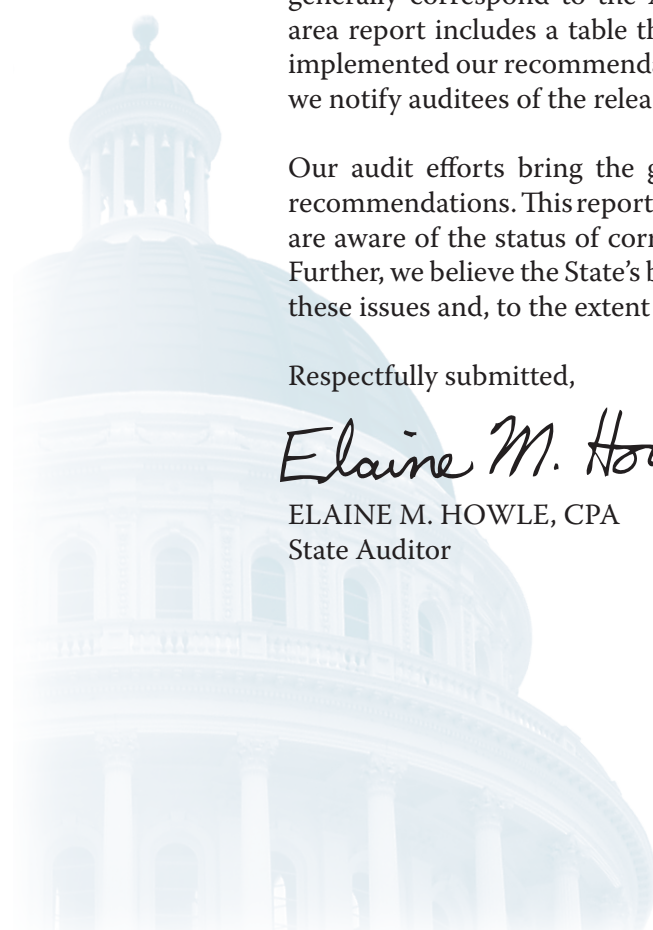
Our audit efforts bring the greatest returns when the auditee acts upon our findings and recommendations. This report is one vehicle to ensure that the State's policy makers and managers are aware of the status of corrective action agencies and departments report they have taken. Further, we believe the State's budget process is a good opportunity for the Legislature to explore these issues and, to the extent necessary, reinforce the need for corrective action.

Respectfully submitted,



Elaine M. Howle


ELAINE M. HOWLE, CPA
State Auditor



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Introduction

This report summarizes the major findings and recommendations from audit and investigative reports we issued from January 2009 through December 2010, that relate to agencies and departments under the purview of the Assembly Budget Subcommittee No. 2—Education Finance. The purpose of this report is to identify what actions, if any, these auditees have taken in response to our findings and recommendations. We have placed this symbol  in the margin of the auditee action to identify areas of concern or issues that we believe an auditee has not adequately addressed.

For this report, we have relied upon periodic written responses prepared by auditees to determine whether corrective action has been taken. The State Auditor’s Office (office) policy requests that the auditee provide a written response to the audit findings and recommendations before the audit report is initially issued publicly. As a follow-up, state law requires the auditee to respond at least three times subsequently: at 60 days, six months, and one year after the public release of the audit report. However, we may request an auditee to provide a response beyond one year or we may initiate a follow-up audit if deemed necessary.

We report all instances of substantiated improper governmental activities resulting from our investigative activities to the cognizant state department for corrective action. These departments are required to report the status of their corrective actions every 30 days until all such actions are complete.

Unless otherwise noted, we have not performed any type of review or validation of the corrective actions reported by the auditees. All corrective actions noted in this report were based on responses received by our office as of January 2011. The table below summarizes the number of recommendations along with the status of each agency’s implementation efforts based on its most recent response related to audit reports the office issued from January 2009 through December 2010. Because an audit report and subsequent recommendations may cross over several departments, they may be accounted for on this table more than one time. For instance, the crime disclosure report for postsecondary educational institutions, 2009-032, is reflected under the Community Colleges, California State University, and University of California.

Table
Recommendation Status Summary

	FOLLOW-UP RESPONSE				STATUS OF RECOMMENDATION				PAGE NUMBERS
	INITIAL RESPONSE	60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
California Community Colleges Chancellor’s Office									
Crime Disclosure Report 2009-032			●		1				3
California State University, Chancellor’s Office									
Investigations Report I2007-1158				●	1	1		1	9
California State University, Fresno									
Crime Disclosure Report 2009-032			●		1				3
Education, Department of									
Meal Program Eligibility Report 2010-104		●				1	2		13
Mt. San Antonio Community College									
Crime Disclosure Report 2009-032			●		1				3
Ohlone Community College									
Crime Disclosure Report 2009-032			●			1			3
University of California, Riverside									
Crime Disclosure Report 2009-032			●		1				3

California's Postsecondary Educational Institutions

More Complete Processes Are Needed to Comply With Clery Act Crime Disclosure Requirements

REPORT NUMBER 2009-032, JANUARY 2010

Responses from the California Postsecondary Educational Institutions and the California Community Colleges Chancellor's Office as of October 2010

Chapter 804, Statutes of 2002, which added Section 67382 to the California Education Code (statute), requires the Bureau of State Audits (bureau) to report to the Legislature every three years on the results of our audit of not fewer than six institutions that receive federal student aid. The statute requires us to evaluate the accuracy of the statistics and the procedures institutions use to identify, gather, and track data for reporting, publishing, and disseminating accurate crime statistics in compliance with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act). We selected a sample of six institutions at which we would perform detailed audit work related to the accuracy of the crime statistics and the disclosure of campus security policies. The six institutions we visited and their locations were: California State University, Fresno (Fresno); Mt. San Antonio Community College in Walnut (Mt. San Antonio); Ohlone Community College in Fremont (Ohlone); University of California, Riverside (Riverside); Western Career College—Sacramento (Western Career-Sacramento); and Western University of Health Sciences in Pomona (Western Health). Additionally, we surveyed 10 institutions that reported no criminal offenses to determine whether their procedures for compiling and distributing crime statistics were sufficient. Six of the 10 institutions we surveyed were community colleges while four were private.

Finding #1: Educational institutions do not always comply with federal crime reporting requirements.

None of the institutions we visited fully complied with federal law or regulations related to campus crime reporting. The Clery Act requires eligible institutions to issue annual security reports that disclose campus security policies and campus crime statistics to all current students and employees. Institutions must also provide a notice to any prospective student or employee that includes a statement of the report's availability, a description of its contents, and an opportunity to request a copy. When institutions do not comply with the reporting requirements of the Clery Act, they inhibit the ability of students and others to make informed decisions about campus security. Further, not complying with Clery Act requirements can subject institutions to financial penalties from the federal government.

Audit Highlights . . .

Our review of a sample of postsecondary educational institutions' (institutions) compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) revealed that:

- » *One of the six institutions we visited did not provide us with a copy of the required annual security report.*
- » *Three institutions did not properly notify students and staff of the availability of certain crime statistics or security policies.*
- » *Four institutions either did not disclose or had not addressed all 19 security policies required by the Clery Act.*
- » *All six institutions reported inaccurate crime statistics to varying degrees for 2007.*
- » *Most of the 10 institutions we surveyed, which reported no crimes for 2007, did not have sufficient processes in place to ensure that they report accurate crime statistics under the Clery Act.*
- » *The California Community Colleges Chancellor's Office could increase its role in helping community colleges improve their compliance with the Clery Act.*

Specific concerns we identified at the six institutions we visited include:

- One institution (Ohlone) did not issue an annual security report in 2008.
- Three institutions (Mt. San Antonio, Ohlone, and Western Health) did not properly notify students and staff of the availability of their crime statistics or security policies. Although Mt. San Antonio and Ohlone each provided crime statistics and policies on their Web sites, they did not distribute the information or notify students and employees of its availability using proper methods. Further, Western Health stated it provided the annual security report to incoming new students and new employees only; it therefore did not inform current students and employees of the report's availability.
- Four institutions (Mt. San Antonio, Ohlone, Western Career-Sacramento, and Western Health) did not disclose or had not addressed all 19 security policies required by the Clery Act. The number of missing or only partially disclosed policies ranged from one at Mt. San Antonio to 12 at Western Career-Sacramento.
- The crime statistics reported by all six institutions were inaccurate to varying degrees. For instance, four institutions (Fresno, Mt. San Antonio, Ohlone, and Western Health) either overreported or risked overreporting crimes because they obtained crime statistics from local law enforcement agencies for areas that are not required under the Clery Act. Further, differences in definitions of some types of crimes contributed to mistakes by two institutions (Mt. San Antonio and Riverside).

Finally, for the 10 institutions we surveyed, we observed that most did not have sufficient processes in place to ensure that they reported accurate crime statistics, and several did not properly distribute an annual security report detailing these statistics. For instance, three institutions stated that they did not request information about off-campus crimes from local or state law enforcement agencies. Additionally, two institutions did not use or were unaware of written guidance available that should be followed when compiling and distributing annual crime statistics and four institutions stated that they have not been provided any formal training regarding Clery Act compliance.

To ensure that they provide students and others with a single source of information related to campus security policies and crime statistics, and to help avoid financial penalties, we recommended that institutions comply with the requirements of the federal Clery Act. Specifically, institutions should:

- Issue annual security reports.
- Properly notify all students and employees of the availability of their annual security reports.
- Include all required policy disclosures in their annual security reports.

To help ensure that they comply with the Clery Act's disclosure requirements, we recommended that institutions:

- Review and adhere to applicable guidance related to the Clery Act, including the handbook and tutorial issued by the U.S. Department of Education's Office of Postsecondary Education (OPE), as well as the Uniform Crime Reporting (UCR) Handbook issued by the Federal Bureau of Investigation.
- Identify and provide sufficient training to those employees responsible for compiling crime statistics and distributing annual security reports.

To ensure that they correctly report all applicable crimes in accordance with the Clery Act, we recommended that institutions request crime information from campus security authorities and local or state law enforcement agencies. Further, they should carefully review all information for errors. Additionally, institutions should develop a clear understanding of the definitions of Clery Act crimes. For example, they could create or obtain a conversion list for crimes with differing definitions under the state Penal Code and the Clery Act, such as battery and aggravated assault.

To ensure that they include only reportable crimes from reportable areas in their annual security reports, we recommended that institutions request specific information from local or state law enforcement agencies. Such information can include addresses and details of specific crimes. If institutions wish to disclose crime statistics for areas outside those required by federal law, they should clearly distinguish those statistics from the ones required under the Clery Act.

Fresno's Action: Corrective action taken.

Fresno stated that it reviewed the reportable areas per Figure 2 in our report and informed the Clovis Police Department of the necessary changes to ensure accurate reporting. Further, Fresno stated that it formed a Clery Review Team comprised of the public information officer, a crime analyst, and a lieutenant to review reported burglaries to help ensure accurate reporting.

Mt. San Antonio's Action: Corrective action taken.

A review of its current annual security report showed that Mt. San Antonio included all required policy disclosures in its report or links to where the information could be found. Also, Mt. San Antonio created a Notification of Availability Statement to comply with the notification requirement of the Clery Act. The campus stated that it provides the Notification of Availability Statement to all students or prospective students as well as employees or prospective employees using various methods such as a "portal system" and campus-wide email, and during Senior Day events. To ensure that crime statistics are reported accurately, Mt. San Antonio developed a conversion chart allowing comparison of Penal Code definitions to UCR handbook definitions of all Clery Act reportable crimes. In addition, Mt. San Antonio purchased Clery Act training reference guides and provided them to members of the Public Safety Department responsible for drafting and distributing the annual security report. Finally, Mt. San Antonio stated it has created a three member team made up of Public Safety Department management staff that will review all incident reports involving a crime.

Ohlone's Action: Partial corrective action taken.

Ohlone stated that it trained employees responsible for compiling the crime statistics to ensure that they properly record and report data. It also stated that it notified the U.S. Department of Education of its 2007 reporting errors and that it corrected those entries. However, although Ohlone included additional required policy disclosures on its Web site, it has yet to produce a single annual security report that includes all required policy disclosures and all required crime statistics. As noted in our report, the OPE's Handbook for Campus Crime Reporting states that the report must be contained within a single document and that if the report is posted on the institution's Web site, it must be clearly identified in a single, separate part of the site. Further, Ohlone did not separate the crime statistics in its recent annual security report by campus, non-campus, and public property as required.

Riverside's Action: Corrective action taken.

Riverside stated that it will continue its process of evaluating the data per the Clery Act requirements, using the crime conversion list provided by the U.C. Office of the President as necessary, and reviewing the report for accuracy. Also, Riverside included definitions of Clery Act reportable crimes on its Web site.

Western Career–Sacramento’s Action: Corrective action taken.

A review of its current annual security report showed that Western Career–Sacramento included all required policy disclosures in its report. Also, Western Career–Sacramento stated that to ensure its crime statistics are correct, it is in regular contact with local law enforcement agencies and it is reviewing the crime statistics to be included in the annual security report.

Western Health’s Action: Partial corrective action taken.

Western Health stated that it notifies students of the annual security report through quarterly email notifications. It also stated that it notifies all students and employees of a link to the report on its Web site. However, Western Health did not mention how it notifies prospective students and employees of the annual security report as required. Further, Western Health stated that it updated its annual security report with the required policy disclosures. Western Health’s Web site, however, did not provide an updated annual security report. When reviewing its Web site in December 2010 we noticed the annual security report is dated fall 2009 and includes the crime statistics for 2008, 2007, and 2006. Western Health should be reporting crime statistics for 2009, 2008, and 2007. Finally, although Western Health stated that it makes a reasonable, good faith effort to obtain crime statistics from local enforcement agencies and is entitled to rely upon those statistics, it will reevaluate whether its current practice of including all the crime statistics provided by local law enforcement agencies is reasonable.

Finding #2: The California Community Colleges Chancellor’s Office (Chancellor’s Office) needs to provide guidance related to the Clery Act.

In light of the nature and extent of the exceptions we noted that relate to the two community colleges we visited and the six we surveyed, we believe that the Chancellor’s Office should take an increased role in helping community colleges improve their compliance with the Clery Act. The chancellor is the chief executive officer appointed by the Board of Governors of the California Community Colleges (board). The Education Code requires the board to advise and assist the governing boards of community college districts on the interpretation and implementation of state and federal laws affecting community colleges. We saw no evidence that the community colleges included in our review had received guidance from the Chancellor’s Office related to complying with the Clery Act. The Chancellor’s Office informed us that although it currently does not provide any guidance to its community colleges on the Clery Act, it would consider it reasonable to provide limited guidance in the future.

To improve compliance among California’s community colleges, we recommended that the Chancellor’s Office provide direction to the institutions regarding the provisions of the Clery Act. This direction should include a discussion of the need to review and adhere to currently available Clery Act guidance such as OPE’s handbook and tutorial, as well as the UCR handbook. The Chancellor’s Office should also inform institutions of training opportunities for those employees responsible for compiling Clery Act crime statistics and distributing annual security reports. Finally, the Chancellor’s Office should inform community colleges of the negative effects of not complying with the Clery Act.

Chancellor’s Office Action: Corrective action taken.

In its six-month response, the Chancellor’s Office stated that it manages a Web site with emergency management resources, where it included a “toolbox” with links to Clery Act guidance such as the OPE handbook and other resources. Further, the Chancellor’s Office stated that it created a peer support network by asking employees responsible for compiling Clery Act crime statistics to be available to each other to compare and suggest best practices. Contact information for the peer support network can be found on the emergency management resources Web site. In addition, the Chancellor’s Office stated that the Director of Emergency Planning and Preparedness (director) maintains a comprehensive email contact list of college employees involved in emergency management. The director used this list to notify the colleges of an upcoming Clery Act training

opportunity. Finally, the Chancellor's Office stated that it plans to offer Clery Act training specific to community colleges in early 2011. One resource available to colleges is the California Colleges and Universities Police Chief's Association, which includes Clery Act training and refresher courses at its annual conference.

California State University, Chancellor's Office

Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures

REPORT NUMBER I2007-1158, DECEMBER 2009

California State University, Chancellor's Office response as of November 2010

A former official at the California State University (university), Chancellor's Office, received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008. The improper reimbursements included expenses for unnecessary trips, meals that exceeded the university's limits, the official's commute expenses between his home in Northern California and the university's headquarters in Long Beach, living allowances, home office expenses, duplicate payments, and overpayments of claims. The official consistently failed to follow university policies in submitting requests for reimbursement. In addition, the official's supervisor and the university failed to adequately review the official's expense reimbursement claims and follow long-established policies and procedures designed to ensure accuracy and adequate control of expenses. As a consequence, the university allowed the official to incur expenses that were unnecessary and not in the best interest of the university or the State.

Finding #1: The official received improper reimbursements for expenses related to travel, business meals, commute, and personal expenses.

Our investigation found that the official often engaged in travel that appeared to offer few tangible benefits or advantages to the university and was not in the State's best interest. The official traveled regularly throughout the 37-month period we analyzed. Much of his travel related to his duties in the university's Chancellor's Office. However, reimbursements for some of the official's trips were not for university events and resulted in \$39,135 in unnecessary costs to the State.

In addition, the official regularly organized, hosted, and attended meals involving a variety of university staff, as well as other individuals serving on working groups or boards with the official. Over the period we examined, the official claimed \$26,455 in reimbursements for these meals, which exceeded the amounts allowed for meal reimbursements.

We also calculated that the official improperly received reimbursements totaling \$43,288 in expenses resulting from commuting between his home in Northern California and headquarters in Long Beach, despite university policies clearly prohibiting employees from claiming reimbursement for expenses incurred within 25 miles of their designated headquarters or at their residence. The \$43,288 represents a variety of prohibited expenses, including dozens of flights on commercial airlines between his

Investigative Highlights . . .

Our investigation of expense reimbursement claims made by an official at the California State University (university), Chancellor's Office, revealed the following:

- » *The official received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008.*
- » *The official consistently failed to follow university policies in submitting requests for reimbursements.*
- » *The official's supervisor and the university failed to adequately review the official's expense reimbursement claims and follow long-established policies and procedures.*

residence in Northern California and his headquarters in Long Beach, hotel lodging, airport parking, rental car charges, and reimbursement for the personal use of his vehicle between his home and the airport.

Finally, the official improperly received reimbursements totaling \$17,053 for personal expenses incurred while purportedly conducting university business from his home in Northern California. Many of these expenses appeared to be for equipment, supplies, and services to his residence, including multiple telecommunications services often totaling hundreds of dollars per month. The university no longer employs the official.

We recommended that the university take the following actions:

- Reexamine its preapproval and reimbursement review process for all high-level university employees, and require staff at all organizational levels to submit correct and complete claims along with detailed documentation supporting those claims, subject to thorough and appropriate review by the university accounting staff.
- Specify upper monetary limits for its food and beverage policy and specify when this policy applies.
- Revise its travel policy to establish defined maximum limits for reimbursing the costs of lodging and to establish controls that allow for exceptions to such limits only under specific circumstances.

Chancellor's Office Action: Partial corrective action taken.

The university agreed that it should reexamine its reimbursement procedures for high-level employees, as well as require complete and thorough documentation of the expenses for which reimbursement is being sought. Regarding its food and beverage policy, the university failed to indicate whether it would specify monetary limits for the policy—particularly for business meals—and clarify when the policy applies. Consequently, we have received no indication that the university intends to address the waste of public funds for the unnecessary expenditures that we identified in our report. Further, the university commented that, given the variety of locations around the world where it does business, it would be “impractical” to establish defined limits for reimbursing the costs of lodging. However, the university has failed to grasp the enormity of the problem created by its lack of defined limits on lodging costs. Without defined limits—and a control that allows for exceptions to the limits—the university has abdicated its oversight responsibility.

Finding #2: The university paid the official for long-term living expenses he was not entitled to receive.

We found that the official requested and received a \$748 monthly payment for 33 of the 37 months we examined, totaling \$24,676. These payments were referred to as “long-term subsistence” payments on the official’s travel expense claims and contained no additional supporting documentation or justification. University policy allows for the payment of per diem expenses an employee incurs from the use of establishments that cater to long-term visitors. To qualify for this allowance, the employee must be on a long-term field assignment. However, the official was not on a long-term field assignment as defined by university policy, so he should not have received \$24,676 for long-term subsistence costs. When we asked university executive management why the official was allowed to claim long-term subsistence for such an extended length of time, even though he also was being reimbursed for commuting expense between his home and university headquarters, we were told that such an arrangement was necessary to retain the official.

We recommended the university terminate any agreements with university employees that allow them to work at a location other than their headquarters and expressly prohibit the making of such agreements.

Chancellor's Office Action: None.

The university did not agree with our recommendation. Instead, it responded that it needed flexibility to recruit and retain highly skilled employees; thus, it would be counterproductive to terminate its flexibility in allowing employees to work from locations other than their headquarters. However, the university's response did not address the finding of our investigation that it allowed an employee to work from home, at considerable expense, without having any obvious business need for the university to permit the arrangement.

Finding #3: The university paid the official for duplicate payment and overpayments.

The official improperly received reimbursements totaling \$1,834 that resulted from duplicate payments and overpayments made by the university. In particular, our analysis found that the official received \$1,072 in payments for which the university had reimbursed him previously and \$762 in payments that exceeded the amounts the university owed him.

We recommended that the university recover from the official the \$1,834 in duplicate payments and overpayments.

Chancellor's Office Action: Corrective action taken.

The university collected from the former official \$1,903—consisting of the \$1,834 we identified and \$69 it identified later—in duplicate payments or overpayments.

California's Charter Schools

Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the California Department of Education From Determining the Number of Students Eligible for or Participating in Certain Federal Meal Programs

REPORT NUMBER 2010-104, OCTOBER 2010

California Department of Education's response as of January 2011

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) conduct an audit of how the nutritional needs of charter school students are met, so that the Legislature can make future decisions regarding the health and education of California's children.

Finding #1: California Department of Education's (Education) data on the number of schools and their students' eligibility for free and reduced price meals are not sufficiently reliable.

Part II of Education's Consolidated Application for Funding Categorical Aid Programs (ConApp) obtains information from local educational agencies and direct-funded charter schools regarding the number of students eligible for free and reduced-price meals. Specifically, the page titled October 20XX School Level Free and Reduced Price Meals Eligibility Data Collection has three data fields designed to capture the number of students enrolled at the school level, the number of enrolled students who are eligible to receive free meals, and the number of enrolled students who are eligible to receive reduced-price meals. Education instructs the local educational agencies and direct-funded charter schools to include students between the ages of five and 17, to define eligibility as pertaining to students with a household income that meets the income eligibility criteria for receiving free or reduced-price meals in the breakfast or lunch program, and to capture the data on a preselected information day in October of each year. Education uses the information in these three data fields to determine eligibility and funding allocations for a variety of categorical programs, such as the Title I Grants to Local Educational Agencies that benefit children who are failing, or are most at risk of failing, to meet the State's academic standards.

Because the ConApp database is a paperless system, meaning the local educational agencies and direct-funded charter schools enter the data directly into the database, we expected Education to have an internal control process, such as a systematic audit or review of their supporting documentation, for the three data fields that are relevant to our audit. However, Education has not established an internal control process to ensure the accuracy of these three data fields.

Because the data fields are used to determine eligibility and funding allocations for a variety of categorical programs, we contacted staff in Education's School Fiscal Services Division, Categorical Allocation and Audit Resolution Office (fiscal services division),

Audit Highlights . . .

Our review of the California Charter Schools and how the nutritional needs of their students are being met, revealed the following:

- » *The California Department of Education's (Education) databases are not sufficiently reliable to identify the number of charter schools and their students participating in the federal School Breakfast Program (breakfast program) or the National School Lunch Program (lunch program).*
- » *It lacks an internal control process to ensure the accuracy of certain data in its paperless consolidated application database.*
- » *It does not verify certain codes and the site type on the schools' site applications and we found errors.*
- » *It allows school food authorities to combine information for their sites before entering it into the child nutrition database and thus, it cannot differentiate between charter school students and students from traditional schools who participate in the programs.*
- » *Despite Education's data limitations, we identified 815 charter schools active in California. Of these, 451 were participating in the breakfast or lunch program and 151 do not provide meals because instruction is provided outside the classroom—either online or independently.*

continued on next page . . .

» *We surveyed the remaining 213 charter schools, and of the 133 that responded, 46 stated they offer their students an alternative meal program and have varying methods of providing meals and a range of meal costs; 39 stated they do not provide meals to their students mainly because they lack resources such as funding, staff, and a kitchen, cafeteria, or other facility to prepare and deliver meals; and 41 stated that they do in fact participate in the programs.*

which is responsible for, among other things, allocating funds to local educational agencies. An administrator in the fiscal services division stated that the ConApp database is currently the only database Education uses to collect information on the number of students eligible for free and reduced-price meals. The administrator also stated that the fiscal services division does not review the local educational agencies' and direct-funded charter schools' supporting documentation for the three data fields they enter into the ConApp database. The administrator further stated that Education requires the local educational agencies and direct-funded charter schools to certify that the data they submit are accurate and that it must place some confidence in their certifications. Finally, the administrator stated that local educational agencies and direct-funded charter schools are supposed to have documentation to support the information they enter into the ConApp database. Nevertheless, although Education's ConApp database instructions require the local educational agencies and direct-funded charter schools to electronically certify that they have fulfilled the requirements listed on the page, the instructions do not state that they should retain the documentation.

In addition to the concerns we have with the accuracy of the three data fields that are relevant to our audit, we question the completeness of the data for the purpose of our audit. Education requires local educational agencies applying for categorical aid program funds to submit their information into the ConApp database. However, according to an administrator in its data division, there is no state or federal law that gives Education the authority to require charter schools to submit the ConApp. Therefore, complete data on the number of charter schools and their students eligible for free and reduced-price meals may not be available. Our concerns with both the accuracy and completeness of the data in the three data fields prevent us from concluding that the data are sufficiently reliable to reach an audit conclusion related to the number of traditional and charter schools and their students eligible for free and reduced-price meals.

To ensure the reliability of the ConApp database fields related to the number of students enrolled at the school level, the number of those enrolled students who are eligible to receive free meals, and the number of those students who are eligible to receive reduced-price meals, we recommended that Education modify its ConApp database instructions to require local educational agencies and direct-funded charter schools to retain their documentation supporting the three data fields for a specified period of time. We also recommended that Education establish an internal control process such as systematic review of a sample of the local educational agencies' and direct-funded charter schools' supporting documentation.

Education's Action: Partial corrective action taken.

Education modified its ConApp instructions to require local educational agencies and direct-funded charter schools to retain documentation supporting reported data in accordance with state and federal records retention requirements. However, Education has yet to implement an internal control process such as a systematic review of a sample of local educational agencies' and direct-funded

charter schools' supporting documentation. Education stated it may review a sample of the local educational agencies' and direct-funded charter schools' supporting documentation if it is determined to be cost effective.

Finding #2: Education's nutrition services division is unable to accurately identify charter schools participating in the breakfast and lunch programs.

The Child Nutrition Information and Payment System (CNIPS) database administered by Education's Nutrition Services Division (nutrition services) did not identify all charter schools participating in the breakfast and lunch programs as of October 31, 2009. Consequently, the CNIPS database cannot be used to accurately identify all charter school students participating in the programs.

When applying to participate in the breakfast and lunch programs, a school food authority must complete an application for each of its school sites, and in doing so must indicate the type of site—such as a public school district, direct-funded charter school, or locally funded charter school. A direct-funded charter school may apply to participate in the breakfast and lunch programs as its own school food authority. In contrast, a locally funded charter school must apply to participate in the programs through its chartering entity and must be listed as a site on the application of an approved school food authority. In our comparison of Education's Charter Schools Database and its CNIPS database, we identified 115 direct and locally funded charter schools that were participating in the breakfast or lunch program, but were not identified as participating in these programs because the school food authorities had not identified them as charter schools in the CNIPS database. Nutrition services does not review the applications the school food authorities enter into CNIPS to ensure the accuracy of the information. Further, federal law allows sites to be combined for the purposes of participating in the breakfast and lunch programs if the programs are under the same administrative jurisdiction and are on the same campus. Consequently, it is impossible to determine whether a particular charter school is participating in the breakfast and lunch programs, because it is part of a combined site.

Due to the school food authorities' reporting errors and their ability to combine sites on the same campus, we found that the CNIPS database is not sufficiently reliable to determine the exact number of charter schools or their students participating in the breakfast and lunch programs. However, the database was the only source available to us to use to identify schools that provide alternative meal programs to their students as well as schools that do not provide any meals to their students. Therefore, using the Charter Schools Database and the CNIPS database, we determined that 213 charter schools did not appear to be participating in the breakfast or lunch program. To identify any additional reporting errors, we added a question on our survey asking the 213 charter schools to verify Education's information indicating that they were not participating in the breakfast or lunch program.

Although identified as not participating in the breakfast or lunch program in the CNIPS database, 41 of the 133 charter schools responding to our survey stated that they are in fact participating in the programs. Various reasons exist for this discrepancy. We found that 10 of the schools enrolled in the programs after October 2009 and thus were appropriately excluded from the October 31, 2009, list we generated using the CNIPS database. Eighteen of the schools shared a campus with another school and were reported as combined sites, which is allowable under federal law, as described previously.

Nutrition services requires the school food authorities to enter the county district school (CDS) codes for their public school district sites but not for other site types, such as the charter schools. The remaining discrepancies were related to errors in the CDS codes and the site type. Nutrition services performs reviews of a sample of the schools under the jurisdiction of the school food authorities each year, in accordance with federal regulations, to ensure that the requirements of the lunch program are being met. However, nutrition services' review tool does not include a procedure for verifying the accuracy of the CDS code or the site type reflected on the schools' site applications.

To ensure the accuracy of the CNIPS database, we recommended that Education direct the school food authorities to establish internal control procedures to ensure the accuracy of the application information they enter into the CNIPS database. We also recommended that Education direct nutrition services to modify the tool used to review a sample of the school food authorities' schools to include a procedure for verifying the accuracy of the CDS code and site type reflected on the schools' applications.

Education's Action: Pending.

Education stated each CNIPS application includes a "certification" check box that school food authorities must check in order to submit the application. In addition, Education stated it posted a notice on the first screen of the CNIPS advising sponsors of their responsibility to ensure that they report accurate information. Education also stated it will include a clause in the annual instructions to remind school food authorities of their responsibility to ensure that they report accurate CNIPS information and to suggest that a second person review the information for accuracy before the school food authorities submit the information to Education. Further, Education stated it will clarify that charter schools should be identified as such and not as public schools.

Finally, Education stated nutrition services plans to run monthly data matches against the public school directory at both the school food authority and site level to identify and report anomalies. However, Education did not include in its response the internal controls it has in place to ensure the information in the public school directory is accurate, particularly the CDS code and site type that are found in the CNIPS database.

Finding #3: Education's nutrition services cannot differentiate between charter school students and traditional school students participating in the breakfast and lunch programs.

The CNIPS database has data fields for school food authorities to enter information such as the number of students approved for free and reduced-price meals at each site under their jurisdiction. However, Education allows the school food authorities to combine the information for their sites before entering it into the CNIPS database. Thus, the CNIPS database cannot be used to identify the number of charter school students participating in the breakfast and lunch programs.

Each month the school food authorities must submit a Claim for Reimbursement to nutrition services using the CNIPS database. Education's claim reimbursement procedures require the school food authorities to enter a claim for each site under their jurisdiction as well as a consolidated claim. Both claim types are required to include information such as the number of students approved to receive free and reduced-price meals, total enrollment, and the number of free and reduced-price meals served during the month. In addition, prior to submitting the Claim for Reimbursement, school food authorities are required by federal regulations to review the meal count data for each site to ensure that the site claim accurately reports the number of free and reduced-price meals served to eligible students.

However, nutrition services does not require the school food authorities to report monthly claims for each of their sites separately. For example, the Natomas Pacific Pathways Preparatory Schools, which has a charter middle school and high school, participates in the breakfast and lunch programs through the Natomas Unified School District, which acts as a school food authority for both traditional schools and charter schools. The Natomas Unified School District enters into the CNIPS database the combined number of charter school and traditional school students at all of its sites who are approved to receive free and reduced-price meals. Therefore, although Education can report the total number of students, it cannot differentiate between charter school students and traditional school students who are participating in the breakfast or lunch program.

To ensure that it maximizes the benefits from the State's investment in the CNIPS database, we recommended that Education require the school food authorities to submit a monthly Claim for Reimbursement for each site under their jurisdiction in addition to their consolidated claims. We also recommended that Education establish a timeline for the school food authorities to comply with the requirement.

Education's Action: Pending.

Education stated that, effective January 2011 it began requiring site-level reporting for all school districts. Education also stated that some school food authorities do not have the capability to upload large amounts of site-level data without manually keying in the data for each site and that it would continue to work with them to transition to site-level reporting before the current school year ends. In addition, Education stated that, effective January 3, 2011, it began requiring all new school food authorities to use site-level reporting. However, Education was unable to provide documentation to demonstrate it informed the school food authorities of this requirement. Specifically, Education stated it had not yet provided anything in writing to the school food authorities.

