

NIGRO NIGRO & WHITE, PC

Santa Ana Unified School District

Class Size Reduction Audit
Preliminary Audit Findings

April 24, 2007

About NNW

- Nigro Nigro & White (NNW) is a Certified Public Accounting Firm, licensed by the California State Board of Accountancy and a member of the AICPA
- NNW specializes in school district audits
 - ▣ Auditing over 60 school districts annually
- We communicate regularly with the California Department of Education (CDE), the State Controller's Office (SCO) and the Orange Department of Education (ODE) on specific audit issues

Independent Audit Standards

Required independent auditing standards include:

- ▣ Generally Accepted Auditing Standards (GAAS)
- ▣ Governmental Auditing Standards
- ▣ Class Size Reduction (CSR) audit requirements of Section 19845.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07*, published by the Education Audit Appeals Panel



General Audit Methods

- School site visits
- Interviews
- Verification of data as accurate and complete
- Inspection of documents
- Physical observations and counts
- Re-computation of funding amounts
- Analytical comparisons
- Research of CSR requirements, including discussions with CDE representatives

CSR Audit Procedures

- The State Audit Guide requires us to:
 - Test the average daily enrollment for each CSR class is computed and reported correctly for funding
 - Test that the student information system data agrees to the teacher's signed rosters
 - Determine that the class size was reduced for a substantial majority of a full day (Option 1) or 1/2 day (Option 2)
 - Determine the reduced class time in Option 2 was primarily devoted to reading and/or math
 - Verify teacher credentials
 - Verify CSR staff development requirements are met
 - Ensure special education and independent study pupils are excluded from the funding determination
 - Report any discrepancies to the State

Four Main Audit Phases

- Phase 1 – School site visits (complete)
- Phase 2 – Verification of student information system and J7-CSR data as accurate (in progress)
- Phase 3 – General procedures required of audits conducted in accordance with GAAS and Governmental Auditing Standards (in progress)
- Phase 4 – Final audit report (to be completed after Phases 1-3)

Phase 1 School Site Visits

NNW visited twelve elementary school sites, and interviewed the school principal and office manager and one school teacher from each grade level K- 3 (selected at random) for a total of 48 teachers.

Audit procedures performed at each school site selected:

- ❑ Interviewed school administration and attendance clerk at each of the 12 sites selected
- ❑ Randomly selected CSR teachers (one from each grade) and verified the accuracy of their rosters and physically counted the number of pupils in the classroom
- ❑ Sampled 15 days of instruction (as required) from the teacher's signed rosters and computed the average daily enrollment for the class
- ❑ Inspected contemporaneous signed records of enrollment and attendance
- ❑ Verified how the new teachers, or Assigned Substitutes, were scheduled by the principal
- ❑ Determined if the class sampled was eligible for CSR either Option 1 or Option 2 CSR funding

Audit Results From the Phase 1 Site Visits

Option 2 Classes (1/2 day, \$512 per pupil)

- Kindergarten Option 2 classes, with minor exceptions, were setup and operating properly to receive full Option 2 CSR funding
- No Grades 1 – 3 Option 2 classes were set up properly to receive CSR funding
 - We found Assigned Subs were typically used to assist in the classroom for less than 1/2 the day, rotating throughout an assigned grade level
 - An insufficient number of “new teachers” were provided contributing to assignment difficulties
 - The use of Option 2 for Grade 1-3 was poorly communicated and, thus, executed improperly in most cases
 - At this time, the District has properly restored the teacher’s rosters and corrected the student information system
 - The District will not be claiming funding for this program option on the J7-CSR

Audit Results From the Phase 1 Site Visits

Option 1 CSR (full day, \$1,024 per pupil)

- The Option 1 classes were set up properly but some were operating above the enrollment average of 20.44:1 and will not be eligible for 100% funding
- Reasons classes were operating above 20.44:1 include:
 - Understaffing of the CSR program in anticipation of declining enrollment that did not materialize to the levels expected
 - The shift in 2006-07 from year-round to traditional track was cited as one explanation
 - Lack of adequate monitoring and adjusting of class enrollment (e.g., setting up new classes)
 - Poor CSR program communication to the school sites (e.g., not communicating that Option 2 requires a reduced class size for ½ the full day)
 - A majority of the “new teachers” were not assigned to create new Option 1 class
 - Lack of adequate classroom spaces to open new Option 1 classes

Phase 2 Verification of Student Information System and J7-CSR Data

Tasks NNW is in the process of accomplishing:

- Verifying that Grades 1-3 Option 2 rosters were corrected (restored) for the time period in question (2/13 through 4/6)
- Verifying that special education classes are not included in the count
- Verifying that the “new teachers” not assigned to a self-contained Option 1 class are not in the system as the “teacher of record”
- Verifying that the pupil counts per the rosters examined at the school sites agree to the attendance system
- Verifying the accuracy of the J7-CSR report to the State
 - Note: this involves a detailed review of every CSR class and the related daily enrollment
- Recomputing the final CSR funding amount

Preliminary Phase 2 Audit Results

- An approximate loss of \$2 million (or 13%) in CSR funding had the District operated all classes at 20.44:1 or less
- Funding Rates:
 - ▣ 100% Funding 20.44:1 or less
 - ▣ 80% Funding 20.45 - 20.94
 - ▣ 60% Funding 20.95 - 21.44
 - ▣ 20% Funding 21.45 - 21.84
 - ▣ No Funding >21.85



Preliminary Phase 2 Audit Results

- Less than 5% of Option 1 classes are expected to receive no funding (34% are expected to receive reduced funding)

Funding Rate	% of Classes Funded
100%	66%
80%	16%
60%	10%
20%	4%
0%	4%
	100%

Phase 3 and 4 – General Audit Procedures and Audit Report

- Over the next 1-2 weeks, NNW will have completed the audit by:
 - Finalizing the audit of the J7-CSR report
 - Conducting additional interviews of schoolsite and district personnel
 - Completing required work in meeting auditing standards
 - Completing and delivering the final audit report