

SANTEE SCHOOL DISTRICT

Audit Report

THE STULL ACT PROGRAM

Chapter 498, Statutes of 1999, and
Chapter 4, Statutes of 1999

July 1, 2004, through June 30, 2007



JOHN CHIANG
California State Controller

April 2013



JOHN CHIANG
California State Controller

April 12, 2013

Dianne El-Hajj, President
Board Of Education
Santee School District
9625 Cuyamaca Street
Santee, CA 92071

Dear Ms. El-Hajj:

The State Controller's Office audited the costs claimed by the Santee School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999) for the period of July 1, 2004, through June 30, 2007.

The district claimed \$699,834 for the mandated program. Our audit found that \$132,336 is allowable and \$567,498 is unallowable. The costs are unallowable primarily because the district claimed unallowable and estimated costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$132,336, contingent upon available appropriations

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Cathy A. Pierce, Ed.D, Superintendent
Santee School District
Karl Christensen, Assistant Superintendent, Business Services
Santee School District
Minnie Malin, Assistant Superintendent, Human Resources
Santee School District
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Audit Report

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Audit Report

Summary

The State Controller's Office audited the costs claimed by the Santee School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999) for the period of July 1, 2004, through June 30, 2007.

The district claimed \$699,834 for the mandated program. Our audit found that \$132,336 is allowable and \$567,498 is unallowable. The costs are unallowable primarily because the district claimed unallowable and estimated costs. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$132,336, contingent upon available appropriations.

Background

The Stull Act (Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999) added Education Code sections 44660-44665. The legislation provided reimbursement for specific activities related to evaluation and assessment of the performance of "certificated personnel" within each school district, except for those employed in local, discretionary educational programs.

On May 27, 2004, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17514.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on September 27, 2005. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

The Commission approved reimbursable activities as follows:

- Evaluate and assess the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal laws as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives (Education Code section 44662 subdivision (b) as amended by Chapter 498, Statutes of 1983).
- Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 through 11 as it reasonably relates to the progress of pupils toward the state adopted academic content standards as measured by state adopted assessment tests (Education Code section 44662 subdivision (b) as amended by Chapter 4, Statutes of 1999).

- Assess and evaluate permanent certificated, instructional, and non-instructional employees who perform the requirements of educational programs mandated by state or federal law and receive an unsatisfactory evaluation in the years in which the permanent certificated employee would not have otherwise been evaluated pursuant to Education Code section 44664. The additional evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (Education Code section 44664 as amended by Chapter 498, Statutes of 1983).

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 2004, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the 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.

Conclusion

Our audit found 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 Santee School District claimed \$699,834 for costs of the Stull Act Program. Our audit found that \$132,336 is allowable and \$567,498 is unallowable.

The State made no payment to the district. Our audit found that \$132,336 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$132,336, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on March 19, 2013. Karl Christensen, Assistant Superintendent, Business Services responded by email dated March 25, 2013, with the following statement:

The District has reviewed the audit report and is in substantial agreement with the methodology and calculations used to derive the allowable costs for the audit period. Subsequent to the audit period, the District transitioned to a different process for coordinating, collecting, and submitting reimbursable mandated cost claims. These revised procedures incorporate more compliance checks to assure a higher level of scrutiny and data validation prior to submission of mandated cost claims to the State.

Restricted Use

This report is solely for the information and use of the Santee 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

April 12, 2013

**Schedule 1—
Summary of Program Costs
July 1, 2004, through June 30, 2007**

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Audit</u> | <u>Audit Adjustment</u> ¹ |
|--|---------------------------------|--------------------------------|--|
| <u>July 1, 2004, through June 30, 2005</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Evaluation activities | \$ 228,707 | \$ 38,379 | \$ (190,328) |
| Training | — | 1,455 | 1,455 |
| Total direct costs | 228,707 | 39,834 | (188,873) |
| Indirect costs | 11,756 | 2,048 | (9,708) |
| Total program costs | <u>\$ 240,463</u> | 41,882 | <u>\$ (198,581)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 41,882</u> | |
| <u>July 1, 2005, through June 30, 2006</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Evaluation activities | \$ 194,539 | \$ 45,574 | \$ (148,965) |
| Training | 1,845 | 1,577 | (268) |
| Total direct costs | 196,384 | 47,151 | (149,233) |
| Indirect costs | 13,734 | 3,328 | (10,406) |
| Total program costs | <u>\$ 210,118</u> | 50,479 | <u>\$ (159,639)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 50,479</u> | |
| <u>July 1, 2006, through June 30, 2007</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Evaluation activities | \$ 232,478 | \$ 36,681 | \$ (195,797) |
| Training | 548 | 686 | 138 |
| Total direct costs | 233,026 | 37,367 | (195,659) |
| Indirect costs | 16,227 | 2,608 | (13,619) |
| Total program costs | <u>\$ 249,253</u> | 39,975 | <u>\$ (209,278)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 39,975</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment ¹ |
|--|-------------------------|------------------------|----------------------------------|
| <u>Summary: July 1, 2004, through June 30, 2007</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Evaluation activities | \$ 655,724 | \$ 120,634 | \$ (535,090) |
| Training | <u>2,393</u> | <u>3,718</u> | <u>1,325</u> |
| Total direct costs | 658,117 | 124,352 | (533,765) |
| Indirect costs | <u>41,717</u> | <u>7,984</u> | <u>(33,733)</u> |
| Total program costs | <u>\$ 699,834</u> | 132,336 | <u>\$ (567,498)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 132,336</u> | |

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Overstated salaries,
benefits, and related
indirect costs**

The district claimed \$658,117 in salaries and benefits, and \$41,717 in related indirect costs for the audit period. We determined that \$533,765 in salaries and benefits, and \$33,733 in related indirect costs are unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities and estimated costs.

The following table summarizes the unallowable salaries and benefits and related indirect costs by fiscal year:

| | Fiscal Year | | | Total |
|-----------------------------|--------------|--------------|--------------|--------------|
| | 2004-05 | 2005-06 | 2006-07 | |
| Salaries and benefits: | | | | |
| Evaluation activities | \$ (190,328) | \$ (148,965) | \$ (195,797) | \$ (535,090) |
| Training | 1,455 | (268) | 138 | 1,325 |
| Total salaries and benefits | (188,873) | (149,233) | (195,659) | (533,765) |
| Indirect costs | (9,708) | (10,406) | (13,619) | (33,733) |
| Audit adjustment | \$ (198,581) | \$ (159,639) | \$ (209,278) | \$ (567,498) |

Unsupported and Ineligible Costs

Time documentation provided by the district was insufficient to support costs claimed for the following primary reasons:

- Documentation provided was based on average time increments supported with time records that were not completed contemporaneously. Claimed hours were based on the year-end estimates of hours that were completed in the form of a survey.
- Claimed hours included the following ineligible activities:
 - Preparing for evaluation;
 - Conducting goals and objectives conferences;
 - Conducting pre-observation conferences;
 - Conducting post-observation conferences; and
 - Conducting final conferences.
- Documentation provided did not identify the employee names, employment status, or teaching assignment. Therefore, the district did not support whether claimed evaluations met reimbursable criteria for frequency of evaluations specific to employment status and for program assignments mandated by state or federal law.

Alternative Methodology

The district provided current time documentation for fiscal year (FY) 2009-10 through FY 2011-12 that was based on actual time increments collected contemporaneously. The documentation also identified which employees were evaluated, and reported reimbursable activities consistent with the program's parameters and guidelines:

- Evaluate the teachers' instruction techniques/strategies and adherence to curricular objectives.
- Provide written assessment of the evaluation of the instructional techniques/strategies and adherence to curricular objectives.
- Review the results of the Standardized Testing and Reporting test as it relates to the performance of these employees that teach reading, writing, math, history/social sciences and science in grades 2-11.
- Provide written assessment of the teacher's performance based on the STAR results.

The district supported the time it currently takes the evaluators to perform reimbursable activities. The contemporaneous time records supported that it takes the district evaluators an average 3.55 hours to complete reimbursable activities per each teacher evaluation and 7.1 hours for reimbursable unsatisfactory evaluations. The district agreed with these time increments. We applied the results to the audit period.

Completed Evaluations

The district provided lists of certificated instructional employee evaluations completed during the audit period for employees still employed with the district. The district also provided prior staffing lists, to identify employees likely evaluated during the audit period, but removed from the list of completed evaluations.

Using both lists, we created a master list of employees who may have been evaluated during the audit period. We performed testing of the entire population to determine how many allowable evaluations were completed during the audit period.

During our testing of employee evaluations, we ensured that only eligible evaluations were counted for reimbursement in each fiscal year. The parameters and guidelines allow reimbursement for those evaluations conducted for certificated instructional personnel who perform the requirements of education programs mandated by state or federal law during specific evaluation periods.

The table below summarizes the total number of evaluations by fiscal year:

| | Fiscal Year | | | Total |
|---|-------------|---------|---------|-------|
| | 2004-05 | 2005-06 | 2006-07 | |
| Claimed evaluations: | | | | |
| Standard evaluations | 248 | 218 | 175 | 641 |
| Unsatisfactory evaluations | 6 | 1 | 6 | 13 |
| Total claimed evaluations | 254 | 219 | 181 | 654 |
| Unallowable evaluations: | | | | |
| Unsupported evaluations | (65) | (2) | (10) | (77) |
| Tenured teacher evaluations claimed in consecutive years | — | (12) | (6) | (18) |
| Unallowable job classifications | (18) | (15) | (16) | (49) |
| Total unallowable evaluations | (83) | (29) | (32) | (144) |
| Allowable standard evaluations | 171 | 189 | 147 | 507 |
| Allowable unsatisfactory evaluations | — | 1 | 2 | 3 |
| Total allowable standard and unsatisfactory evaluations | 171 | 190 | 149 | 510 |

The non-reimbursable evaluations include the following:

- Permanent biennial teacher evaluations claimed every year rather than every other year;
- Vice principals, social workers, LSH (Language, Speech and Hearing) teachers, and others who are not certificated instructional employees; and
- Preschool teachers and SSP (Santee Success Program) teachers who do not perform the requirements of the program as mandated by state or federal law.

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits in each fiscal year, we calculated the productive hourly rate for each evaluator and multiplied the number of allowable evaluations by allowable hours per evaluation. Allowable salaries and benefits incurred for evaluation activities totaled \$120,148 for the audit period. We then applied the applicable indirect cost rates to allowable salaries and benefits to calculate the allowable indirect costs for this component.

Calculation of Allowable Training Costs

The district claimed \$2,393 in training costs for FY 2005-06 and FY 2006-07. After reviewing the documentation provided by the district, we found training time records for employees in FY 2004-05 that were not claimed. We also found misstated costs in FY 2005-06 and FY 2006-07. Our analysis revealed allowable training costs totaling \$3,718 for the audit period.

The following table summarizes claimed, allowable, and unallowable training costs by fiscal year:

| | Fiscal Year | | | Total |
|---------------------------------|-------------|----------|---------|----------|
| | 2004-05 | 2005-06 | 2006-07 | |
| Training salaries and benefits: | | | | |
| Claimed | \$ — | \$ 1,845 | \$ 548 | \$ 2,393 |
| Allowable | 1,455 | 1,577 | 686 | 3,718 |
| Audit adjustment | \$ 1,455 | \$ (268) | \$ 138 | \$ 1,325 |

For FY 2005-06 and 2006-07, the district claimed training costs in the travel and training cost category. We reclassified the district's training costs to salaries and benefits. We then applied the applicable indirect cost rates to allowable amounts to calculate allowable indirect costs for this component.

The program's parameters and guidelines (Section IV.A.1) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that perform the requirements of educational programs mandated by state or federal law as it reasonably relates to the instructional techniques and strategies used by the employee and the employee's adherence to curricular objectives.

Reimbursement for this activity is limited to:

- a. Reviewing the employee's instructional techniques and strategies and adherence to curricular objectives, and
- b. Including in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:
 - o Once each year for probationary certificated employees;
 - o Every other year for permanent certificated employees; and
 - o Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rates the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV–Reimbursable Activities) also state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Recommendation

We recommend that the district ensure that claimed costs are based on actual costs, are for activities reimbursable under the program's parameters and guidelines, and are supported by contemporaneous source documentation.

District's Response

In the email dated March 25, 2013, the district indicated that they are in substantial agreement with the methodology and calculations used to derive the allowable costs for the audit period.

SCO's Comment

The finding and recommendation remain unchanged.

**State Controller's Office
Division of Audits
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