

# **LONG BEACH UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

Chapter 4198, Statutes of 1983;  
and Chapter 4, Statutes of 1999

*July 1, 2001, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

August 2013



**JOHN CHIANG**  
**California State Controller**

August 22, 2013

John McGinnis, President  
Board of Education  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, CA 90810

Dear Mr. McGinnis:

The State Controller's Office audited the costs claimed by the Long Beach Unified 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, 2001, through June 30, 2010.

The district claimed \$2,978,750 for the mandated program. Our audit found that \$2,057,668 is allowable and \$921,082 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for estimated and ineligible costs. The State paid the district \$262,194. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,795,474, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). 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 the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/sk

cc: Christopher Steinhauser, Superintendent of Schools  
Long Beach Unified School District  
James Novak, Ed.D., Chief Business and Financial Officer  
Long Beach Unified School District  
Ruth Perez Ashley, Assistant Superintendent  
HRS and Leadership Development  
Long Beach Unified School District  
Rebecca J. Turrentine, Ed.D., President, Board of Education  
Los Angeles County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Contents

## **Audit Report**

|   |          |
|---|----------|
| <b>Summary .....</b>  | <b>1</b> |
| <b>Background .....</b>                                     | <b>1</b> |
| <b>Objective, Scope, and Methodology .....</b>              | <b>2</b> |
| <b>Conclusion .....</b>                                     | <b>2</b> |
| <b>Views of Responsible Official .....</b>                  | <b>3</b> |
| <b>Restricted Use .....</b>                                 | <b>3</b> |
| <b>Schedule 1—Summary of Program Costs .....</b>            | <b>4</b> |
| <b>Finding and Recommendation .....</b>                     | <b>8</b> |
| <b>Attachment—District’s Response to Draft Audit Report</b> |          |

# Audit Report

## Summary

The State Controller's Office audited the costs claimed by the Long Beach Unified 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, 2001, through June 30, 2010.

The district claimed \$2,978,750 for the mandated program. Our audit found that \$2,057,668 is allowable and \$921,082 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for estimated and ineligible costs. The State paid the district \$262,194. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,795,474, 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 CSM 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(b) as amended by Chapter 498, Statutes of 1983).
- Evaluate and assess the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 to 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(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, 2001, through June 30, 2010.

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 Long Beach Unified School District claimed \$2,978,750 for costs of the Stull Act Program. Our audit found that \$2,057,668 is allowable and \$921,082 is unallowable.

The State paid the district \$262,194. Our audit found that \$2,057,668 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,795,474, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on July 16, 2013. James Novak, Ed.D., Chief Business and Financial Officer, responded by letter dated July 29, 2013 (Attachment), generally agreeing with the SCO's methodology, but addressing a few concerns. The final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of the Long Beach Unified School District, the Los Angeles 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

August 22, 2013

## Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2010

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2001, through June 30, 2002</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 672,009              | \$ 441,341             | \$ (230,668)        |                        |
| Total direct costs   | 672,009                 | 441,341                | (230,668)           |                        |
| Indirect costs   | 34,810                  | 22,861                 | (11,949)            |                        |
| Total program costs  | <u>\$ 706,819</u>       | 464,202                | <u>\$ (242,617)</u> |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 464,202</u>      |                     |                        |
| <u>July 1, 2002, through June 30, 2003</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 352,176              | \$ 139,795             | \$ (212,381)        |                        |
| Total direct costs   | 352,176                 | 139,795                | (212,381)           |                        |
| Indirect costs   | 18,736                  | 7,437                  | (11,299)            |                        |
| Total program costs  | <u>\$ 370,912</u>       | 147,232                | <u>\$ (223,680)</u> |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 147,232</u>      |                     |                        |
| <u>July 1, 2003, through June 30, 2004</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 240,405              | \$ 129,810             | \$ (110,595)        |                        |
| Total direct costs   | 240,405                 | 129,810                | (110,595)           |                        |
| Indirect costs   | 12,597                  | 6,802                  | (5,795)             |                        |
| Total program costs  | <u>\$ 253,002</u>       | 136,612                | <u>\$ (116,390)</u> |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 136,612</u>      |                     |                        |

## Schedule 1 (continued)

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2004, through June 30, 2005</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 671,900              | \$ 355,199             | \$ (316,701)        |                        |
| Total direct costs   | 671,900                 | 355,199                | (316,701)           |                        |
| Indirect costs   | 46,025                  | 24,331                 | (21,694)            |                        |
| Total program costs  | <u>\$ 717,925</u>       | 379,530                | <u>\$ (338,395)</u> |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 379,530</u>      |                     |                        |
| <u>July 1, 2005, through June 30, 2006</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 227,362              | \$ 354,175             | \$ 126,813          |                        |
| STAR results/assessment                                      | 1,503                   | —                      | (1,503)             |                        |
| Training   | 1,297                   | 1,247                  | (50)                |                        |
| Total direct costs   | 230,162                 | 355,422                | 125,260             |                        |
| Indirect costs   | 15,858                  | 24,489                 | 8,631               |                        |
| Total direct and indirect costs                              | 246,020                 | 379,911                | 133,891             |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (133,891)              | (133,891)           |                        |
| Total program costs  | <u>\$ 246,020</u>       | 246,020                | <u>\$ —</u>         |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 246,020</u>      |                     |                        |
| <u>July 1, 2006, through June 30, 2007</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 202,806              | \$ 361,635             | \$ 158,829          |                        |
| STAR results/assessment                                      | 9,323                   | —                      | (9,323)             |                        |
| Training   | 379                     | 236                    | (143)               |                        |
| Total direct costs   | 212,508                 | 361,871                | 149,363             |                        |
| Indirect costs   | 8,373                   | 14,258                 | 5,885               |                        |
| Total direct and indirect costs                              | 220,881                 | 376,129                | 155,248             |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (155,248)              | (155,248)           |                        |
| Total program costs  | <u>\$ 220,881</u>       | 220,881                | <u>\$ —</u>         |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 220,881</u>      |                     |                        |

## Schedule 1 (continued)

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2007, through June 30, 2008</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 163,122              | \$ 398,338             | \$ 235,216          |                        |
| STAR results/assessment                                      | 1,377                   | —                      | (1,377)             |                        |
| Training   | 10,836                  | 9,353                  | (1,483)             |                        |
| Total direct costs   | 175,335                 | 407,691                | 232,356             |                        |
| Indirect costs   | 6,487                   | 15,085                 | 8,598               |                        |
| Total direct and indirect costs                              | 181,822                 | 422,776                | 240,954             |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (240,954)              | (240,954)           |                        |
| Total program costs  | <u>\$ 181,822</u>       | 181,822                | <u>\$ —</u>         |                        |
| Less amount paid by the State                                |                         | —                      |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 181,822</u>      |                     |                        |
| <u>July 1, 2008, through June 30, 2009</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 135,882              | \$ 230,434             | \$ 94,552           |                        |
| STAR results/assessment                                      | 8,942                   | —                      | (8,942)             |                        |
| Training   | 2,499                   | 1,400                  | (1,099)             |                        |
| Total direct costs   | 147,323                 | 231,834                | 84,511              |                        |
| Indirect costs   | 6,261                   | 9,853                  | 3,592               |                        |
| Total direct and indirect costs                              | 153,584                 | 241,687                | 88,103              |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (88,103)               | (88,103)            |                        |
| Total program costs  | <u>\$ 153,584</u>       | 153,584                | <u>\$ —</u>         |                        |
| Less amount paid by the State                                |                         | (134,409)              |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 19,175</u>       |                     |                        |

## Schedule 1 (continued)

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2009, through June 30, 2010</u>                   |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 109,504              | \$ 181,630             | \$ 72,126           |                        |
| STAR results/assessment                                      | 9,591                   | —                      | (9,591)             |                        |
| Training   | 3,775                   | 2,773                  | (1,002)             |                        |
| Total direct costs   | 122,870                 | 184,403                | 61,533              |                        |
| Indirect costs   | 4,915                   | 7,376                  | 2,461               |                        |
| Total direct and indirect costs                              | 127,785                 | 191,779                | 63,994              |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (63,994)               | (63,994)            |                        |
| Total program costs  | <u>\$ 127,785</u>       | 127,785                | <u>\$ —</u>         |                        |
| Less amount paid by the State                                |                         | (127,785)              |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ —</u>            |                     |                        |
| <u>Summary: July 1, 2001, through June 30, 2010</u>          |                         |                        |                     |                        |
| Direct costs:  |                         |                        |                     |                        |
| Salaries and benefits:                                       |                         |                        |                     |                        |
| Evaluation activities  | \$ 2,775,166            | \$ 2,592,357           | \$ (182,809)        |                        |
| STAR results/assessment                                      | 30,736                  | —                      | (30,736)            |                        |
| Training   | 18,786                  | 15,009                 | (3,777)             |                        |
| Total direct costs   | 2,824,688               | 2,607,366              | (217,322)           |                        |
| Indirect costs   | 154,062                 | 132,492                | (21,570)            |                        |
| Total direct and indirect costs                              | 2,978,750               | 2,739,858              | (238,892)           |                        |
| Less allowable costs that exceed costs claimed <sup>2</sup>  | —                       | (682,190)              | (682,190)           |                        |
| Total program costs  | <u>\$ 2,978,750</u>     | 2,057,668              | <u>\$ (921,082)</u> |                        |
| Less amount paid by the State                                |                         | (262,194)              |                     |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 1,795,474</u>    |                     |                        |

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2005-06 through FY 2009-10.

# Finding and Recommendation

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

The district claimed \$2,824,688 in salaries and benefits, and \$154,062 in related indirect costs for the audit period. We determined that \$217,322 in salaries and benefits, and \$21,570 in related indirect costs are unallowable. The costs are unallowable primarily because the district claimed reimbursement for estimated and non-mandated costs.

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

| Fiscal Year   | Direct Costs: Salaries and Benefits |   |                   |                            | (E)<br>Indirect Costs | Audit Adjustment [(D)+(E)] |
|---------------|-------------------------------------|---|-------------------|----------------------------|-----------------------|----------------------------|
|               | (A)<br>Evaluation Activities        | (B)<br>STAR Results Review / Assessment | (C)<br>Training   | (D)<br>Total [(A)+(B)+(C)] |                       |                            |
| 2001-02       | \$ (230,668)                        | \$ -                                    | \$ -              | \$ (230,668)               | \$ (11,949)           | \$ (242,617)               |
| 2002-03       | (212,381)                           | -                                       | -                 | (212,381)                  | (11,299)              | (223,680)                  |
| 2003-04       | (110,595)                           | -                                       | -                 | (110,595)                  | (5,795)               | (116,390)                  |
| 2004-05       | (316,701)                           | -                                       | -                 | (316,701)                  | (21,694)              | (338,395)                  |
| 2005-06       | 126,813                             | (1,503)                                 | (50)              | 125,260                    | 8,631                 | 133,891                    |
| 2006-07       | 158,829                             | (9,323)                                 | (143)             | 149,363                    | 5,885                 | 155,248                    |
| 2007-08       | 235,216                             | (1,377)                                 | (1,483)           | 232,356                    | 8,598                 | 240,954                    |
| 2008-09       | 94,552                              | (8,942)                                 | (1,099)           | 84,511                     | 3,592                 | 88,103                     |
| 2009-10       | 72,126                              | (9,591)                                 | (1,002)           | 61,533                     | 2,461                 | 63,994                     |
| <b>Totals</b> | <b>\$ (182,809)</b>                 | <b>\$ (30,736)</b>                      | <b>\$ (3,777)</b> | <b>\$ (217,322)</b>        | <b>\$ (21,570)</b>    | <b>\$ (238,892)</b>        |

**Time Documentation FY 2001-02 through FY 2004-05**

Time documentation provided by the district for fiscal year (FY) 2001-02 through FY 2004-05 was insufficient to support costs claimed primarily for the following reasons:

- Documentation provided was based on average time increments supported with time records that were not completed contemporaneously.
- 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.

**Time Documentation FY 2005-06 through FY 2009-10**

The district provided time documentation for FY 2005-06 through FY 2009-10 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' instructional techniques and strategies and adherence to curricular objectives.
- Provide written assessment of the evaluation of the instructional techniques and strategies and adherence to curricular objectives.
- Review the results of the Standardized Testing and Reporting (STAR) test as it relates to the performance of these employees who teach reading, writing, math, history/social sciences and science in grades 2 through 11.
- Provide written assessment of the teacher's performance based on the STAR results.

However, according to the district's representatives and the collective bargaining agreement, the district does not use Standardized Testing norms for teacher evaluation purposes. Therefore, time documentation listing these activities of reviewing the results of the Standardized Testing and Reporting test and providing a written assessment of the teacher's performance based on the STAR results is not reimbursable because the district does not perform these activities.

For the remaining two activities of evaluating the teachers' instructional techniques and strategies and providing written assessment of the evaluation, the time records submitted in FY 2005-06 through FY 2009-10 supported an average of 2.14 hours for district evaluators to complete the reimbursable activities. The documentation also supported the average of 4.88 hours for reimbursable unsatisfactory evaluations. We applied the average time increments to the entire audit period to determine allowable hours claimed.

**Completed Evaluations**

The district provided lists of certificated employee evaluations completed during the audit period. We used the district's data to ensure that only eligible evaluations were counted for reimbursement in each fiscal year. The program's parameters and guidelines allow reimbursement for those evaluations conducted for certificated instructional personnel who perform the requirements of educational programs mandated by state or federal law during specific evaluations periods.

The table below summarizes the total number of evaluations by fiscal year, and lists evaluations not reimbursable under the mandated program:

| Fiscal Year  | District-reported Evaluations | Unallowable Evaluations |                            |                |                | Job Classification/ Job name | Unsatisfactory Evaluations * | Allowable Evaluations |
|--------------|-------------------------------|-------------------------|----------------------------|----------------|----------------|------------------------------|------------------------------|-----------------------|
|              |                               | Duplicate Same Year     | Duplicate Consecutive Year | Charter School |                |                              |                              |                       |
| 2001-02      | 4,349                         | (465)                   | -                          | (28)           | (543)          | -                            | 3,313                        |                       |
| 2002-03      | 1,230                         | (60)                    | -                          | (12)           | (146)          | -                            | 1,012                        |                       |
| 2003-04      | 1,147                         | (116)                   | (22)                       | -              | (116)          | (4)                          | 889                          |                       |
| 2004-05      | 3,215                         | (330)                   | (7)                        | (16)           | (476)          | (2)                          | 2,384                        |                       |
| 2005-06      | 2,790                         | (195)                   | (20)                       | (18)           | (328)          | (8)                          | 2,221                        |                       |
| 2006-07      | 2,922                         | (269)                   | (25)                       | (22)           | (449)          | (7)                          | 2,150                        |                       |
| 2007-08      | 3,224                         | (347)                   | (26)                       | (24)           | (527)          | (15)                         | 2,285                        |                       |
| 2008-09      | 1,908                         | (200)                   | (23)                       | (9)            | (383)          | (14)                         | 1,279                        |                       |
| 2009-10      | 1,391                         | (187)                   | (18)                       | (2)            | (188)          | (9)                          | 987                          |                       |
| <b>Total</b> | <b>22,176</b>                 | <b>(2,169)</b>          | <b>(141)</b>               | <b>(131)</b>   | <b>(3,156)</b> | <b>(59)</b>                  | <b>16,520</b>                |                       |

\*Unsatisfactory evaluations represent the number of allowable unsatisfactory evaluations that were accounted for separately.

The non-reimbursable evaluations include the following:

- Permanent biennial and probationary teacher evaluations claimed more than once in a single year;
- Permanent biennial teacher evaluations claimed every year rather than every other year;
- Evaluations of principals, vice principals, counselors, and others who are not certificated instructional employees;
- Evaluations of preschool and ROTC teachers who do not perform the requirements of the program as mandated by state or federal law; and
- Evaluations of charter school teachers, which are not eligible for reimbursement per the program’s parameters and guidelines.

**Average Productive Hourly Rate (PHR)**

The district claimed individual productive hourly rates (PHR) for each evaluator in each fiscal year. However, the district’s documentation did not track how many and which evaluations were completed by specific evaluators. Therefore, it was impossible to determine allowable costs by applying the individual productive hourly rates to unknown number of completed allowable evaluations per each district’s evaluator. However, the district proposed an alternative methodology.

The district provided a listing of all evaluators (principals and vice principals) for the audit period, including the payroll and benefit information. We calculated an average PHR for all evaluators by fiscal year, and applied the average PHR to allowable evaluations in each fiscal year.

**Calculation of Allowable Evaluation Costs**

To arrive at allowable salaries and benefits in each fiscal year, we multiplied the number of allowable evaluations by allowable average hours per evaluation and average PHR. Allowable salaries and benefits incurred for evaluation activities totaled \$2,592,357 and unallowable costs totaled \$182,809 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.

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

| Fiscal Year | Evaluation Salaries and Benefits |                     | Audit Adjustment [(B)-(A)] |
|-------------|----------------------------------|---------------------|----------------------------|
|             | (A)<br>Claimed                   | (B)<br>Allowable    |                            |
| 2001-02     | \$ 672,009                       | \$ 441,341          | \$ (230,668)               |
| 2002-03     | 352,176                          | 139,795             | (212,381)                  |
| 2003-04     | 240,405                          | 129,810             | (110,595)                  |
| 2004-05     | 671,900                          | 355,199             | (316,701)                  |
| 2005-06     | 227,362                          | 354,175             | 126,813                    |
| 2006-07     | 202,806                          | 361,635             | 158,829                    |
| 2007-08     | 163,122                          | 398,338             | 235,216                    |
| 2008-09     | 135,882                          | 230,434             | 94,552                     |
| 2009-10     | 109,504                          | 181,630             | 72,126                     |
| Totals      | <u>\$ 2,775,166</u>              | <u>\$ 2,592,357</u> | <u>\$ (182,809)</u>        |

**Evaluation Costs Related to STAR Results/Assessment**

The district claimed \$30,736 in costs related to evaluating STAR results and the written assessment of STAR results for employee evaluations. As previously noted, the district’s collective bargaining agreement explicitly excluded Standardized Testing norms to be used as part of the evaluation process. The district’s representatives confirmed that these activities are not being performed as part of the evaluation process. Therefore, claimed costs associated with this activity are unallowable.

**Calculation of Allowable Training Costs**

The district claimed \$18,786 in training costs for the audit period. Our analysis revealed that \$15,009 in training costs was allowable and \$3,777 was unallowable for the audit period. The costs are unallowable primarily because the district claimed unsupported and ineligible training hours, exceeding a one-time training per employee requirement of the mandated program.

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

| Fiscal Year | Training Salaries and Benefits |                  | Audit Adjustment<br>[(B)-(A)] |
|-------------|--------------------------------|------------------|-------------------------------|
|             | (A)<br>Claimed                 | (B)<br>Allowable |                               |
| 2005-06     | \$ 1,297                       | \$ 1,247         | \$ (50)                       |
| 2006-07     | 379                            | 236              | (143)                         |
| 2007-08     | 10,836                         | 9,353            | (1,483)                       |
| 2008-09     | 2,499                          | 1,400            | (1,099)                       |
| 2009-10     | 3,775                          | 2,773            | (1,002)                       |
| Totals      | <u>\$ 18,786</u>               | <u>\$ 15,009</u> | <u>\$ (3,777)</u>             |

The 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 rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.A.2) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests.

Reimbursement for this activity is limited to:

- a. Reviewing the results of the Standardized Testing and Reporting test as it reasonably relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and
- b. Including in the written evaluation of those certificated employees the assessment of the employee's performance based on the Standardized Testing and Reporting results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:
  - 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 rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.C—Training) state the district may train staff on implementing the reimbursable activities listed in Section IV of the parameters and guidelines. (One-time activity for each employee.)

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

This letter is in response to the draft audit report issued by the State Controller's Office (SCO) with regard to the Stull Act Program audit for the period from July 1, 2001 through June 30, 2010.

The District appreciates the professional courtesy of the SCO staff during the audit, and appreciates the opportunity to respond to the audit findings. The District generally agrees with the methodology the SCO staff utilized to determine a reasonable reimbursement rate for each fiscal year.

That said, the District has two significant areas of concern regarding the methodology used in identifying the Average Productive Hourly Rate (PHR) for each of the audit years. First, we believe SCO should have utilized the actual PHR determined for audit years 2005-06 through 2009-10 rather than applying an average (calculated as 2.14 hours) determined with respect to the entire period from 2005-06 through 2009-10. Second, we believe one of two alternate methods should be utilized in determining the appropriate PHR for audit years 2001-02 through 2004-05.

Concerns Regarding 2005-06 Through 2009-10

In order to determine the PHR for each audit year, the SCO began by examining actual data from fiscal years 2005-06 through 2009-10, and calculated averages for each of those five fiscal years. The results are as follows:

| Fiscal Year | Average Productive Hourly Rate |
|-------------|--------------------------------|
| 2005-06     | 2.45 hours                     |
| 2006-07     | 1.97 hours                     |
| 2007-08     | 2.27 hours                     |
| 2008-09     | 2.06 hours                     |
| 2009-10     | 1.84 hours                     |

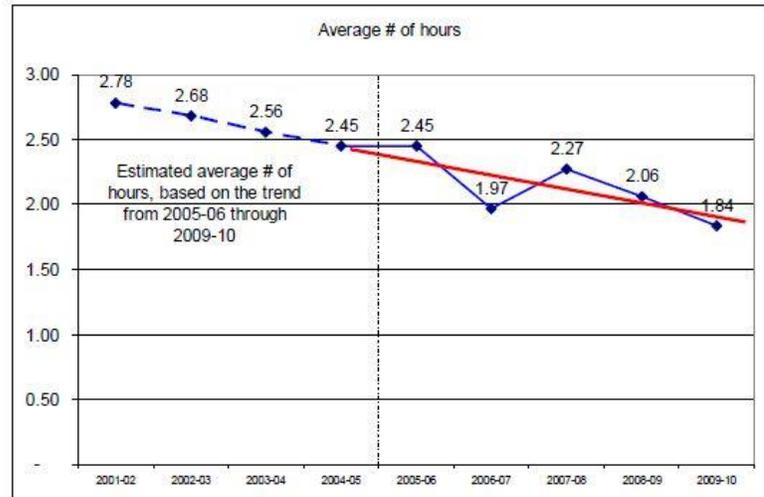
Rather than applying the actual known rates for each individual fiscal year, the SCO calculated an average for fiscal years 2005-06 through 2009-10, and applied the average (calculated to be 2.14 hours) to each fiscal year within that five year period. With respect to fiscal years, 2005-06 through 2009-10, it would seem to be more accurate to apply the known rates for each individual year rather than an average.

Accordingly, we request the SCO adjust the audit finding to reflect actual PHR determined for each of fiscal years 2005-06 through 2009-10.

Concerns Regarding 2001-02 Through 2004-05

We understand the SCO applied that PHR average of 2.14 hours (see above) to fiscal years 2001-02 through 2004-05. That resulted in PHR data from 2009-10 influencing funding for 2001-02. We suggest a better methodology would be to calculate PHR for this period on the basis of either (1) trend analysis reflecting a generally higher PHR in earlier years; or (2) the earliest year for which actual data is available (i.e. 2005-06).

We have charted the known PHR data for the period 2005-06 through 2009-10. That data is as follows:



The clear trend revealed by this data is that PHR was generally higher in earlier years, and would have been much higher than 2.14 during the 2001-02 through 2004-05 period. Using the “FORECAST” function in Microsoft Excel, we have determined an appropriate PHR for each individual fiscal year from 2001-02 through 2004-05. Those figures are as follows:

| Fiscal Year | Average Productive Hourly Rate |
|-------------|--------------------------------|
| 2001-02     | 2.78 hours                     |
| 2002-03     | 2.68 hours                     |
| 2003-04     | 2.56 hours                     |
| 2004-05     | 2.45 hours                     |

While we believe use of these revised PHR numbers would be more consistent with the data, as an alternative (if SCO insists on use of actual data rather than projections), we would be willing to accept the SCO’s use of actual PHR data for the closest available year (i.e. the 2005-06 fiscal year) as a basis for auditing fiscal years 2001-02 through 2004-05. This approach has the benefit of using actual data from the nearest available year, and also results in use of a PHR figure that is more consistent with the trend analysis.

SCO’s Comments

The district’s response to the draft audit report addresses the concerns with the average time per allowable evaluation calculations. However, the district’s response inadvertently refers to the average time allotment as “PHR” – Productive Hourly Rate. The SCO’s comments below are in relation to the district’s comments regarding the average time allotment calculations.

**1. Concerns Regarding 2005-06 Through 2009-10**

The finding and recommendation remain unchanged.

The district generally agrees with the methodology the SCO staff utilized to determine a reasonable reimbursement rate for each fiscal

year. However, the district believes it would be more accurate to apply the average time increments per evaluation for each fiscal year individually rather than applying an overall average time allotment calculated by the SCO for FY 2005-06 through FY 2009-10. We disagree.

The district provided contemporaneous time documentation for evaluations completed for FY 2005-06 through FY 2009-10. The documentation for each fiscal year represented a varying number of time logs for completed evaluations. The district stated that the evaluation process remained consistent during the audit period. Therefore, we used the largest number of data points (i.e. time logs) for the entire period to calculate the most accurate time increment per evaluation, based on overall data combined for FY 2005-06 through FY 2009-10.

The district's request to use each fiscal year's individual average time increments rather than an overall period average would yield no difference in allowable costs. Applying an overall average of 2.14 hours per allowable evaluation revealed that the district will receive the entire costs claimed for FY 2005-06 through FY 2009-10.

In addition, we used the average of 2.14 hours per allowable evaluation to calculate allowable costs for the entire audit period to maintain the consistency of the evaluation process.

## **2. Concerns Regarding 2001-02 Through 2004-05**

The finding and recommendation remain unchanged.

The district generally agrees with the methodology the SCO staff utilized to determine a reasonable reimbursement rate for each fiscal year. However, the district believes that applying an overall average of 2.14 hours per evaluation addressed above in item 1 to FY 2001-02 through FY 2004-05 results in average time data from FY 2009-10 that influences the allowable costs for FY 2001-02.

The district believes it is appropriate to use the earliest year data for which actual time records are available (i.e. FY 2005-06) to apply the "FORECAST" function in Microsoft Excel to determine average time increments individually for FY 2001-02 through FY 2004-05. We disagree.

Forecasting is a process of estimating the results based on past and present data. This process starts with certain assumptions and involves a degree of uncertainty with the predictions.

In this instance, the district's proposed method incorrectly presumes that five data points (i.e. average time increments calculated for each fiscal year starting FY 2005-06 through FY 2009-10) accurately represent a trend that results in higher averages for each preceding

year from FY 2001-02 through FY 2004-05. On the contrary, the average time increments calculated for FY 2005-06 (2.45 hours), FY 2006-07 (1.97 hours), and FY 2007-08 (2.27 hours) represent inconsistent year-to-year average hours variances.

To determine actual costs claimed for the years in question, we relied on actual time documentation to calculate the time increment that would most closely reflect the consistency of the evaluation process throughout the audit period. We examined over 4,000 time logs prepared by the district evaluators for FY 2005-06 through FY 2009-10 to calculate the overall average time increment of 2.14 hours per allowable evaluation. We applied this average to FY 2001-02 through FY 2004-05 because the district was unable to provide contemporaneous time documentation to support claimed costs.

We believe the average of 2.14 hours per allowable evaluation represents the most accurate average time allotment based on district-provided actual time records for the evaluation process that remained consistent throughout the audit period.

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

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## LONG BEACH UNIFIED SCHOOL DISTRICT

Office of the Chief Business and Financial Officer

1515 Hughes Way, CA 90810-1839 • (562) 997-8189 • FAX (562) 997-8284

July 29, 2013

Jim L. Spano, Chief  
Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Spano:

This letter is in response to the draft audit report issued by the State Controller's Office (SCO) with regard to the Stull Act Program audit for the period from July 1, 2001 through June 30, 2010.

The District appreciates the professional courtesy of the SCO staff during the audit, and appreciates the opportunity to respond to the audit findings. The District generally agrees with the methodology the SCO staff utilized to determine a reasonable reimbursement rate for each fiscal year.

That said, the District has two significant areas of concern regarding the methodology used in identifying the Average Productive Hourly Rate (PHR) for each of the audit years. First, we believe SCO should have utilized the actual PHR determined for audit years 2005-06 through 2009-10 rather than applying an average (calculated as 2.14 hours) determined with respect to the entire period from 2005-06 through 2009-10. Second, we believe one of two alternate methods should be utilized in determining the appropriate PHR for audit years 2001-02 through 2004-05.

### Concerns Regarding 2005-06 Through 2009-10

In order to determine the PHR for each audit year, the SCO began by examining actual data from fiscal years 2005-06 through 2009-10, and calculated averages for each of those five fiscal years. The results are as follows:

| Fiscal Year | Average Productive Hourly Rate |
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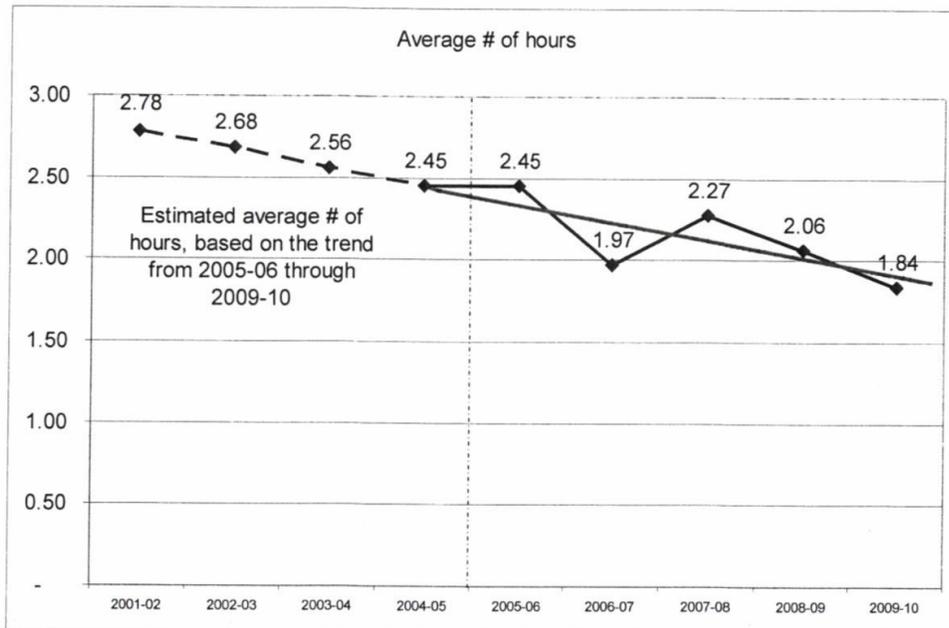
2009-10, it would seem to be more accurate to apply the known rates for each individual year rather than an average.

Accordingly, we request the SCO adjust the audit finding to reflect actual PHR determined for each of fiscal years 2005-06 through 2009-10.

Concerns Regarding 2001-02 Through 2004-05

We understand the SCO applied that PHR average of 2.14 hours (see above) to fiscal years 2001-02 through 2004-05. That resulted in PHR data from 2009-10 influencing funding for 2001-02. We suggest a better methodology would be to calculate PHR for this period on the basis of either (1) trend analysis reflecting a generally higher PHR in earlier years; or (2) the earliest year for which actual data is available (i.e. 2005-06).

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The District thanks the SCO for the opportunity to respond to the audit findings.

Sincerely,



James Novak, Ed. D.  
Chief Business and Financial Officer  
Long Beach Unified School District

cc: Christopher Steinhauser, Superintendent  
Ruth Perez Ashley, Assistant Superintendent, HRS and Leadership Development

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**