

SAN JUAN UNIFIED SCHOOL DISTRICT

Audit Report

STULL ACT PROGRAM

Chapter 498, Statutes of 1983;
and Chapter 4, Statutes of 1999

*July 1, 2004, through June 30, 2008;
and July 1, 2010, through June 30, 2012*



BETTY T. YEE
California State Controller

December 2016



BETTY T. YEE
California State Controller

December 30, 2016

Pam Costa, President
Board of Education
San Juan Unified School District
3738 Walnut Avenue
Carmichael, CA 95608

Dear Ms. Costa:

The State Controller's Office audited the costs claimed by San Juan 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, 2004, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$781,325 for the mandated program. Our audit found that \$385,856 is allowable and \$395,469 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$385,856, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Kent Kern, Superintendent
San Juan Unified School District
Kent Stephens, Chief Financial Officer
San Juan Unified School District
Paul Oropallo, Assistant Superintendent, Human Resources
San Juan Unified School District
Debbie Wilkins, Coordinator
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Juan 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, 2004, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$781,325 for the mandated program. Our audit found that \$385,856 is allowable and \$395,469 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$385,856, contingent upon available appropriations.

Background

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 (Commission) 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 the reimbursement criteria. The Commission 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(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).

Objectives, Scope, and Methodology

We conducted this performance 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, 2008; and July 1, 2010, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We conducted this 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. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the district's financial statements.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed annual claims filed with SCO to identify any mathematical errors, and performed analytical procedures to determine any unusual or unexpected variances from year-to-year
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained
- Assessed whether computer-processed data provided by the district to support claimed costs was complete, accurate and reliable
- Traced listings of employees evaluated and assessed the reimbursability of those evaluations
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system

Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, San Juan Unified School District claimed \$781,325 for costs of the Stull Act Program. Our audit found that \$385,856 is allowable and \$395,469 is unallowable.

The State made no payments to the district. Our audit found that \$385,856 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$385,856, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on October 21, 2016. Kent Stephens, Chief Financial Officer; Paul Oropallo, Assistant Superintendent of Human Resources; and Deann Carlson, Director of Human Resources, did not dispute the audit results. Mr. Oropallo declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of San Juan Unified School District, the Sacramento 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

December 30, 2016

Schedule—
Summary of Program Costs
July 1, 2004, through June 30, 2008;
and July 1, 2010, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 85,540	\$ 75,024	\$ (10,516)
Training	-	-	-
Total direct costs	85,540	75,024	(10,516)
Indirect costs	5,680	4,982	(698)
Total program costs	<u>\$ 91,220</u>	80,006	<u>\$ (11,214)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 80,006</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 96,767	\$ 61,674	\$ (35,093)
Training	1,919	-	(1,919)
Total direct costs	98,686	61,674	(37,012)
Indirect costs	4,826	3,016	(1,810)
Total program costs	<u>\$ 103,512</u>	64,690	<u>\$ (38,822)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 64,690</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 62,428	\$ 45,859	\$ (16,569)
Training	-	-	-
Total direct costs	62,428	45,859	(16,569)
Indirect costs	1,536	1,128	(408)
Total program costs	<u>\$ 63,964</u>	46,987	<u>\$ (16,977)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 46,987</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 127,032	\$ 96,275	\$ (30,757)
Training	1,978	-	(1,978)
Total direct costs	129,010	96,275	(32,735)
Indirect costs	2,129	1,589	(540)
Total program costs	<u>\$ 131,139</u>	97,864	<u>\$ (33,275)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 97,864</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 192,050	\$ 45,845	\$ (146,205)
Training	-	-	-
Total direct costs	192,050	45,845	(146,205)
Indirect costs	5,646	1,348	(4,298)
Total program costs	<u>\$ 197,696</u>	47,193	<u>\$ (150,503)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,193</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 185,396	\$ 46,987	\$ (138,409)
Training	-	-	-
Total direct costs	185,396	46,987	(138,409)
Indirect costs	8,398	2,129	(6,269)
Total program costs	<u>\$ 193,794</u>	49,116	<u>\$ (144,678)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 49,116</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>Summary: July 1, 2004, through June 30, 2008; and July 1, 2010, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 749,213	\$ 371,664	\$ (377,549)
Training	3,897	-	(3,897)
Total direct costs	753,110	371,664	(381,446)
Indirect costs	28,215	14,192	(14,023)
Total program costs	<u>781,325</u>	385,856	<u>(395,469)</u>
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 385,856</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Overstated salaries and benefits and related indirect costs

The district claimed \$753,110 in salaries and benefits and \$28,215 in related indirect costs for the audit period. We found that \$381,446 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs (\$377,549) and training costs (\$3,897). Related indirect costs totaled \$14,023.

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

Fiscal Year	Salaries and Benefits			(D)	Total
	(A) Claimed	(B) Allowable	(C) Adjustment [(B)-(A)]	Indirect Costs Adjustment	Audit Adjustment [(C)+(D)]
2004-05	\$ 85,540	\$ 75,024	\$ (10,516)	\$ (698)	\$ (11,214)
2005-06	98,686	61,674	(37,012)	(1,810)	(38,822)
2006-07	62,428	45,859	(16,569)	(408)	(16,977)
2007-08	129,010	96,275	(32,735)	(540)	(33,275)
2010-11	192,050	45,845	(146,205)	(4,298)	(150,503)
2011-12	185,396	46,987	(138,409)	(6,269)	(144,678)
	<u>\$ 753,110</u>	<u>\$ 371,664</u>	<u>\$ (381,446)</u>	<u>\$ (14,023)</u>	<u>\$ (395,469)</u>

Time Log Activities

The district used time logs to record the time it took district evaluators to perform nine activities within the teacher evaluation process. The district evaluated permanent, probationary, and temporary certificated instructional teachers. The district recorded time for the following activities that are reimbursable under the program's parameters and guidelines:

- Evaluate the teacher's instructional techniques/strategies and adherence to curricular objectives
- Write the evaluation of the instructional techniques/strategies and adherence to curricular objectives
- Review the results of the standardized testing and reporting (STAR) test as it relates to the teacher's performance of teaching reading, writing, math, history/social science, or science in grades 2-11
- Write the evaluation of the teacher's performance based on the STAR results for the pupils they teach
- Conduct an additional evaluation/assessment of employee performance
- Write the additional evaluation/assessment
- Transmit a copy of the written evaluation to the employee
- Attach the employee's written response to the evaluation to employee's personnel file
- Meet with the employee to discuss the additional evaluation

For the audit period, the district collected its time documentation in two different ways. For fiscal year (FY) 2004-05 through FY 2007-08, and FY 2010-11, district evaluators gathered actual time records for specific employees being evaluated throughout the year. For FY 2011-12, district evaluators logged the average estimated time spent on evaluation activities. We informed the district after the entrance conference that the FY 2011-12 time documents do not meet the requirements of the parameters and guidelines. Therefore, FY 2010-11 time documents would be used to determine allowable costs for FY 2010-11, and an implicit price inflator/deflator would be applied to determine allowable costs for FY 2011-12.

The district was unable to provide a master list of certificated employees evaluated by year. However, we reviewed the contemporaneous time logs for FY 2004-05 through FY 2007-08, and FY 2010-11, and noted that they provided sufficient detail to compile a list of those certificated employees evaluated in these years, and the time associated with those evaluations was applied to each line item individually.

Completed Evaluations

For the audit period, the district did not maintain a master list of certificated employees evaluated. Therefore, we compiled the list using the time logs provided as support for the reimbursable components of the mandate. Collectively, this data was the basis of support for the total evaluation population for the audit period.

We reviewed the completed teacher evaluation list for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. 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 following table shows evaluations identified that are not reimbursable under the mandated program:

<u>Fiscal Year</u>	<u>Number of Completed Evaluations</u>		
	<u>Documented in Time Logs</u>	<u>Audited</u>	<u>Difference</u>
2004-05	750	695	(55)
2005-06	638	418	(220)
2006-07	388	301	(87)
2007-08	675	522	(153)
2010-11	406	385	(21)
Totals	<u>2,857</u>	<u>2,321</u>	<u>(536)</u>

The non-reimbursable evaluations included the following:

- Evaluations of principals, counselors, librarians, nurses, and specialists, who are not certificated instructional employees;
- Evaluations of Junior Reserve Officers' Training Corps teachers who do not perform requirements of programs mandated by state or federal law;
- Evaluations of charter school teachers;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent certificated biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations requested during testing that the district was unable to locate

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for "evaluation activities" for the audit period, we multiplied the allowable time for each evaluation by the claimed productive hourly rate for each evaluator performing the program's reimbursable activities.

The following table summarizes allowable evaluation costs by fiscal year.

Fiscal Year	Evaluation activities		
	Claimed	Allowable	Audit Adjustment
2004-05	\$ 85,540	\$ 75,024	\$ (10,516)
2005-06	96,767	61,674	(35,093)
2006-07	62,428	45,859	(16,569)
2007-08	127,032	96,275	(30,757)
2010-11	192,050	45,845	(146,205)
2011-12	185,396	46,987	(138,409)
Total	<u>\$749,213</u>	<u>\$371,664</u>	<u>\$(377,549)</u>

We then applied the applicable indirect cost rates to allowable evaluation activities to calculate allowable indirect costs of \$14,192 for this component.

Training Costs

The district claimed training costs totaling \$3,897 for the audit period (\$1,919 in FY 2005-06 and \$1,978 in FY 2007-08). We found that the training costs are not reimbursable due to insufficient documentation. The district did not provide sufficient documentation to support the costs related to the one-time activity of training staff on the implementation of the reimbursable activities listed in the parameters and guidelines.

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:
 - Once each year for probationary certificated employees;
 - Every other year for permanent certificated employees; and
 - 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:
 - Once each year for probationary certificated employees;
 - Every other year for permanent certificated employees; and
 - 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 that 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

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, 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.

**State Controller's Office
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