

# **SEQUOIA UNION HIGH SCHOOL DISTRICT**

Audit Report

## **STULL ACT PROGRAM**

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

*July 1, 2002, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

April 2015



**BETTY T. YEE**  
**California State Controller**

April 13, 2015

Allen Weiner, President, Board of Trustees  
Sequoia Union High School District  
480 James Avenue  
Redwood City, CA 94062

Dear Mr. Weiner:

The State Controller's Office audited the costs claimed by Sequoia Union High 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, 2002, through June 30, 2012.

The district claimed \$1,076,766 for the mandated program. Our audit found that \$736,062 is allowable and \$340,704 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$205,618. Allowable costs claimed exceed the amount paid by \$530,444.

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/bm

cc: James Lianides, Ed.D., Superintendent  
Sequoia Union High School District  
David Reilly, Assistant Superintendent, Human Resources & Student Services  
Sequoia Union High School District  
Enrique Navas, Assistant Superintendent, Administrative Services  
Sequoia Union High School District  
Denise Porterfield, Deputy Superintendent  
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Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Sequoia Union High 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, 2002, through June 30, 2012.

The district claimed \$1,076,766 for the mandated program. Our audit found that \$736,062 is allowable and \$340,704 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district \$205,618. Allowable costs claimed exceed the amount paid by \$530,444.

## 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-mandated program 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 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(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 44664 as amended by Chapter 498, Statutes of 1983).

## **Objectives, 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, 2002, through June 30, 2012.

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.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Sequoia Union High School District claimed \$1,076,766 for costs of the Stull Act Program. Our audit found that \$736,062 is allowable and \$340,704 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the district. Our audit found that \$45,571 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$45,571, contingent on available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$47,474 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$47,474, contingent on available appropriations.

For the FY 2004-05 claim, the State made no payment to the district. Our audit found that \$48,728 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$48,728, contingent on available appropriations.

For the FY 2005-06 claim, the State made no payment to the district. Our audit found that \$51,880 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$51,880, contingent on available appropriations.

For the 2006-07 claim, the State made no payment to the district. Our audit found that \$56,851 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$56,851, contingent on available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit found that \$100,208 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$100,208, contingent on available appropriations.

For the FY 2008-09 claim, the State paid the district \$63,282. Our audit found that \$60,006 is allowable. The State will offset \$3,276 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2009-10 claim, the State paid the district \$142,336. Our audit found that \$121,442 is allowable. The State will offset \$20,894 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2010-11 claim, the State made no payment to the district. Our audit found that \$100,151 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$100,151, contingent on available appropriations.

For the 2011-12 claim, the State made no payment to the district. Our audit found that \$103,751 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$103,751, contingent on available appropriations.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 27, 2015. David Reilly, Assistant Superintendent, Human Resources and Student Services; and Enrique Navas, Assistant Superintendent, Administrative Services, agreed with the audit results. Mr. Reilly 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 Sequoia Union High School District, the San Mateo 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 13, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 93,687	\$ 43,405	\$ (50,282)
Total direct costs	93,687	43,405	(50,282)
Indirect costs	4,675	2,166	(2,509)
Total program costs	<u>\$ 98,362</u>	45,571	<u>\$ (52,791)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 45,571</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 108,695	\$ 44,715	\$ (63,980)
Total direct costs	108,695	44,715	(63,980)
Indirect costs	6,706	2,759	(3,947)
Total program costs	<u>\$ 115,401</u>	47,474	<u>\$ (67,927)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,474</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 126,077	\$ 46,368	\$ (79,709)
Total direct costs	126,077	46,368	(79,709)
Indirect costs	6,417	2,360	(4,057)
Total program costs	<u>\$ 132,494</u>	48,728	<u>\$ (83,766)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,728</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 61,968	\$ 49,138	\$ (12,830)
Total direct costs	61,968	49,138	(12,830)
Indirect costs	3,458	2,742	(716)
Total program costs	<u>\$ 65,426</u>	51,880	<u>\$ (13,546)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 51,880</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 92,894	\$ 51,815	\$ (41,079)
Total direct costs	92,894	51,815	(41,079)
Indirect costs	9,029	5,036	(3,993)
Total program costs	<u>\$ 101,923</u>	56,851	<u>\$ (45,072)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 56,851</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 122,214	\$ 92,417	\$ (29,797)
Total direct costs	122,214	92,417	(29,797)
Indirect costs	10,303	7,791	(2,512)
Total program costs	<u>\$ 132,517</u>	100,208	<u>\$ (32,309)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,208</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 68,160	\$ 56,561	\$ (11,599)
Total direct costs	68,160	56,561	(11,599)
Indirect costs	4,151	3,445	(706)
Total program costs	<u>\$ 72,311</u>	60,006	<u>\$ (12,305)</u>
Less amount paid by the State		(63,282)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (3,276)</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 131,569	\$ 112,028	\$ (19,541)
Training	1,555	1,555	—
Total direct costs	133,124	113,583	(19,541)
Indirect costs	9,212	7,859	(1,353)
Total program costs	<u>\$ 142,336</u>	121,442	<u>\$ (20,894)</u>
Less amount paid by the State		(142,336)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,894)</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 100,713	\$ 93,355	\$ (7,358)
Total direct costs	100,713	93,355	(7,358)
Indirect costs	7,332	6,796	(536)
Total program costs	<u>\$ 108,045</u>	100,151	<u>\$ (7,894)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,151</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 100,160	\$ 96,245	\$ (3,915)
Training	465	465	—
Total direct costs	100,625	96,710	(3,915)
Indirect costs	7,326	7,041	(285)
Total program costs	<u>\$ 107,951</u>	103,751	<u>\$ (4,200)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 103,751</u>	
<u>Summary: July 1, 2002, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 1,006,137	\$ 686,047	\$ (320,090)
Training	2,020	2,020	—
Total direct costs	1,008,157	688,067	(320,090)
Indirect costs	68,609	47,995	(20,614)
Total program costs	<u>\$ 1,076,766</u>	736,062	<u>\$ (340,704)</u>
Less amount paid by the State		(205,618)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 530,444</u>	

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

# Finding and Recommendation

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

The district claimed \$1,008,157 in salaries and benefits and \$68,609 in related indirect costs for the audit period. We found that \$320,090 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. Related indirect costs totaled \$20,614.

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

<u>Fiscal Year</u>	<u>(A) Claimed</u>	<u>(B) Allowable</u>	<u>(C) Adjustment [(B)-(A)]</u>	<u>(D) Indirect Costs Adjustment</u>	<u>Total Audit Adjustment [(C)+(D)]</u>
2002-03	\$ 93,687	\$ 43,405	\$ (50,282)	\$ (2,509)	\$ (52,791)
2003-04	108,695	44,715	(63,980)	(3,947)	(67,927)
2004-05	126,077	46,368	(79,709)	(4,057)	(83,766)
2005-06	61,968	49,138	(12,830)	(716)	(13,546)
2006-07	92,894	51,815	(41,709)	(3,993)	(45,072)
2007-08	122,214	92,417	(29,797)	(2,512)	(32,309)
2008-09	68,160	56,561	(11,599)	(706)	(12,305)
2009-10	133,124	113,583	(19,541)	(1,353)	(20,894)
2010-11	100,713	93,355	(7,358)	(536)	(7,894)
2011-12	100,625	96,710	(3,915)	(285)	(4,200)
	<u>\$ 1,008,157</u>	<u>\$ 688,067</u>	<u>\$ (320,090)</u>	<u>\$ (20,614)</u>	<u>\$ (340,704)</u>

### **Time Log Activities**

The time logs determined the time it took district evaluators to perform four activities within the teacher evaluation process. The district evaluated permanent, probationary, and temporary certificated instructional teachers. The time log results reported time for activities reimbursable under the program's parameters and guidelines. They include:

- Evaluate teacher's instructional techniques/strategies and adherence to curricular objectives.
- Write up the evaluation of the instructional techniques/strategies and adherence to curricular objectives.

- Review the results of the STAR test as it relates to the performance of the instructor teaching reading, writing, math, history/social science, or science in grades 2 through 11.
- Write up the evaluation of the teacher's performance based on the STAR results for the pupils they teach.

We confirmed with district staff that two of the four activities the district identified in their time logs have never been performed by district evaluators. Both activities are related to reviewing the results of the STAR test, and the write-up of the teacher's performance based on the STAR results. Therefore, any time documented for these two components has been excluded.

We reviewed the contemporaneous time records for FY 2006-07 through FY 2011-12 and determined, by fiscal year, the allowable hours for each reimbursable activity.

### **Completed Evaluations**

Using the time logs, we compiled a master list of employees evaluated for FY 2006-07 through FY 2011-12.

We reviewed the completed teacher evaluations 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 non-reimbursable evaluations included the following:

- Counselors, psychologists, and librarians who are not certificated instructional employees;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent biennial teacher evaluations claimed every year rather than every other year; and
- Evaluations unable to be located while conducting sample testing during fieldwork

We also removed hours for duplicated and unsupported time. The unsupported time related primarily to evaluators claiming time that could not be traced to specific evaluated employees.

### Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for “evaluation activities” from FY 2006-07 through FY 2011-12, we multiplied the number of allowable hours by the claimed productive hourly rates for each evaluator.

For the remaining years, we used the data for FY 2006-07 as the “base” year. We applied an Implicit Price Deflator to total allowable evaluation activities costs in FY 2006-07 to determine allowable evaluation activities costs for FY 2002-03 through FY 2005-06.

The parameters and guidelines (section IV.A.1) state that the following is reimbursable:

Evaluate and assess the performance 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 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 (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 who teach reading, writing, mathematics, history/social science, and science in grades 2 through 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 documented is a document created at or near the same time the actual cost was uncured 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 2013-14, 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.

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