BONITA UNIFIED SCHOOL DISTRICT

Audit Report

STULL ACT PROGRAM

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

July 1, 1999, through June 30, 2012

BETTY T. YEE
California State Controller

August 2015

BETTY T. YEE
California State Controller

August 14, 2015

Diane Koach, President, Board of Education
Bonita Unified School District
115 W. Allen Avenue
San Dimas, CA 91773

Dear Ms. Koach:

The State Controller's Office audited the costs claimed by Bonita 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, 1999, through June 30, 2012.

The district claimed $1,552,433 for the mandated program. Our audit found that $305,486 is allowable ($307,800 less a $2,314 penalty for filing a late claim) and $1,246,947 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district $206,331. Allowable costs claimed exceed the amount paid by $99,155.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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/as

cc: Kurt Madden, Superintendent
Bonita Unified School District
Ann Sparks, Assistant Superintendent
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Bonita Unified School District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Bonita 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, 1999, through June 30, 2012.

The district claimed $1,552,433 for the mandated program. Our audit found that $305,486 is allowable ($307,800 less a $2,314 penalty for filing a late claim) and $1,246,947 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State paid the district $206,331. Allowable costs claimed exceed the amount paid by $99,155.

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 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 section 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, 1999, 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 Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, Bonita Unified School District claimed $1,552,433 for costs of the Stull Act Program. Our audit found that $305,486 is allowable ($307,800 less a $2,314 penalty for filing a late claim) and $1,246,947 is unallowable.

For the fiscal year (FY) 1999-2000 through FY 2007-08 claims, the State made no payment to the district. Our audit found that $207,770 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district $113,876. Our audit found that $23,850 is allowable. The State will offset $90,026 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 $92,455. Our audit found that $23,050 is allowable. The State will offset $69,405 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2010-11 and FY 2011-12 claims, the State made no payment to the district. Our audit found that $50,816 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft report on July 20, 2015. Ann Sparks, Assisant Superintendent, Business Services, responded by letter dated July 27, 2015 (Attachment), disagreeing with the audit results. This final audit report includes the districts's response.

Restricted Use

This report is solely for the information and use of Los Angeles County, Bonita 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 14, 2015

Schedule—
Summary of Program Costs
July 1, 1999, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 1999, through June 30, 2000			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 91,612	$ 21,410	$ (70,202)
Training	279	55	(224)
Total direct costs	91,891	21,465	(70,426)
Indirect costs	5,118	1,196	(3,922)
Total program costs	$ 97,009	22,661	$ (74,348)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 22,661	
July 1, 2000, through June 30, 2001			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 87,717	$ 22,431	$ (65,286)
Training	433	375	(58)
Total direct costs	88,150	22,806	(65,344)
Indirect costs	5,536	1,433	(4,103)
Total program costs	$ 93,686	24,239	$ (69,447)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 24,239	
July 1, 2001, through June 30, 2002			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 94,800	$ 23,423	$ (71,377)
Training	450	164	(286)
Total direct costs	95,250	23,587	(71,663)
Indirect costs	3,953	979	(2,974)
Total program costs	$ 99,203	24,566	$ (74,637)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 24,566	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 111,593	$ 24,825	$ (86,768)
Training	3,086	-	(3,086)
Total direct costs	114,679	24,825	(89,854)
Indirect costs	5,023	1,087	(3,936)
Total program costs	$ 119,702	25,912	$ (93,790)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 25,912	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 96,718	$ 22,271	$ (74,447)
Training	1,852	-	(1,852)
Total direct costs	98,570	22,271	(76,299)
Indirect costs	6,663	1,506	(5,157)
Total program costs	$ 105,233	23,777	$ (81,456)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 23,777	
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 99,159	$ 22,973	$ (76,186)
Training	587	388	(199)
Total direct costs	99,746	23,361	(76,385)
Indirect costs	8,149	1,909	(6,240)
Total program costs	$ 107,895	25,270	$ (82,625)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 25,270	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 118,908	$ 18,000	$ (100,908)
Training	2,148	267	(1,881)
Total direct costs	121,056	18,267	(102,789)
Indirect costs	9,584	1,473	(8,111)
Total program costs	$ 130,640	19,740	$ (110,900)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 19,740	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 208,120	$ 21,022	$ (187,098)
Training	809	809	-
Total direct costs	208,929	21,831	(187,098)
Indirect costs	12,494	1,305	(11,189)
Subtotal	221,423	23,136	(198,287)
Less late filing penalty [2]	-	(2,314)	(2,314)
Total program costs	$ 221,423	20,822	$ (200,601)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 20,822	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 108,605	$ 19,888	$ (88,717)
Training	723	-	(723)
Total direct costs	109,328	19,888	(89,440)
Indirect costs	4,920	895	(4,025)
Total program costs	$ 114,248	20,783	$ (93,465)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 20,783	
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 122,683	$ 22,500	$ (100,183)
Training	74	-	(74)
Total direct costs	122,757	22,500	(100,257)
Indirect costs	7,365	1,350	(6,015)
Total program costs	$ 130,122	23,850	$ (106,272)
Less amount paid by state		(113,876)	
Allowable costs claimed in excess of (less than) amount paid		$ (90,026)	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 86,877	$ 21,659	$ (65,218)
Training	-	-	-
Total direct costs	86,877	21,659	(65,218)
Indirect costs	5,578	1,391	(4,187)
Total program costs	$ 92,455	23,050	$ (69,405)
Less amount paid by state		(92,455)	
Allowable costs claimed in excess of (less than) amount paid		$ (69,405)	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 99,124	$ 20,993	$ (78,131)
Training	2,931	261	(2,670)
Total direct costs	102,055	21,254	(80,801)
Indirect costs	6,021	1,254	(4,767)
Total program costs	$ 108,076	22,508	$ (85,568)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 22,508	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 123,918	$ 26,366	$ (97,552)
Training	290	123	(167)
Total direct costs	124,208	26,489	(97,719)
Indirect costs	8,533	1,819	(6,714)
Total program costs	$ 132,741	28,308	$ (104,433)
Less amount paid by state		-	
Allowable costs claimed in excess of (less than) amount paid		$ 28,308	
Summary: July 1, 1999, through June 30, 2012			
Direct costs:			
Salaries and benefits			
Evaluation activities	$ 1,449,834	$ 287,761	$ (1,162,073)
Training	13,662	2,442	(11,220)
Total direct costs	1,463,496	290,203	(1,173,293)
Indirect costs	88,937	17,597	(71,340)
Subtotal	1,552,433	307,800	(1,244,633)
Less late filing penalty	-	(2,314)	(2,314)
Total program costs	$ 1,552,433	305,486	$ (1,246,947)
Less amount paid by state		(206,331)	
Allowable costs claimed in excess of (less than) amount paid		$ 99,155	

[1] See the Finding and Recommendation section.

[2] The district filed its FY 2006-07 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed $10,000 (for claims filed on or after August 24, 2007).

Finding and Recommendation

FINDING—
Overstated salaries and benefits and related indirect costs

The district claimed $1,463,496 in salaries and benefits and $88,937 in related indirect costs for the audit period. We found that $1,173,293 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs ($1,162,073) and training costs ($11,220). Related indirect costs totaled $71,340.

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

	Salaries and Benefits				
Fiscal Year	(A) Claimed	(B) Allowable	(C) Adjustment [(B)-(A)]	(D) Indirect Costs Adjustment	Total Audit Adjustment [(C)+(D)]
1999-2000	91,891	21,465	(70,426)	(3,922)	(74,348)
2000-01	88,150	22,806	(65,344)	(4,103)	(69,447)
2001-02	95,250	23,587	(71,663)	(2,974)	(74,637)
2002-03	114,679	24,825	(89,854)	(3,936)	(93,790)
2003-04	98,570	22,271	(76,299)	(5,157)	(81,456)
2004-05	99,746	23,361	(76,385)	(6,240)	(82,625)
2005-06	121,056	18,267	(102,789)	(8,111)	(110,900)
2006-07	208,929	21,831	(187,098)	(11,189)	(198,287)
2007-08	109,328	19,888	(89,440)	(4,025)	(93,465)
2008-09	122,757	22,500	(100,257)	(6,015)	(106,272)
2009-10	86,877	21,659	(65,218)	(4,187)	(69,405)
2010-11	102,055	21,254	(80,801)	(4,767)	(85,568)
2011-12	124,208	26,489	(97,719)	(6,714)	(104,433)
	$ 1,463,496	$ 290,203	$(1,173,293)	$ (71,340)	$(1,244,633)

Time Log Activities

For the audit period, the district collected its time documentation in two different ways. For fiscal year (FY) 1999-2000 through FY 2010-11, district evaluators logged the average estimated time spent on evaluation activities. Starting in FY 2011-12, district evaluators gathered actual time records for specific employees being evaluated throughout the year. We informed the district at the entrance conference that the time records for FY 2011-12 would be used to calculate an average time per allowable evaluation to apply to the audit period in which estimated time was used.

The district's time logs recorded the time it took district evaluators to perform eight activities within the teacher evaluation process. The district evaluated permanent, probationary, and temporary certificated instructional teachers. The time log results reported time for meetings, observation, report writing, and other activities within the evaluation process.

The following five of the eight activities the district identified in its time logs are not reimbursable under the mandate:

1. Conducting a conference with the certificated staff member to review his or her goals and objectives;

2. Conducting a pre-observation conference with the certificated staff member;

3. Conducting a post-observation conference with the certificated staff member;

4. Conducting a final evaluation conference with certificated staff member; and

5. Discussing the Standardized Testing and Reporting (STAR) results and how to improve instructional abilities with the certificated staff member.

The program's parameters and guidelines do not allow conferences (pre-, post-, and final observation conferences) between the evaluators and teachers, as this activity was required before the enactment of the test claim legislation. Therefore, these activities do not impose a new program or higher level of service.

The parameters and guidelines do not allow reimbursement for discussing STAR results, as this activity is not listed as a reimbursable activity in the parameters and guidelines. Additionally, interviews with district representatives disclosed that this activity is not part of the district's evaluation procedures.

We determined that the time spent on the following three activities is reimbursable:

1. Classroom observations (formal and informal);

2. Writing a report regarding observations; and

3. Writing the final evaluation report.

After removing the unallowable activities claimed by the district, the district's records show that it took an average of 1.61 hours per permanent evaluation and an average of 2.43 hours for each non-permanent (probationary and temporary) employee evaluation.

Even though the district's records show that it conducted unsatisfactory teacher evaluations during the audit period, it did not provide any time records to record this activity. As such, any allowable unsatisfactory evaluation found was reimbursed at the permanent or non-permanent averages listed above.

Completed Evaluations

The district's human resources department kept a master list of employees who were to be evaluated in each year, and updated this list as each evaluation was received. Each list carried over to the next year, and included new employees who were due for an evaluation. The district was able to locate these spreadsheets back to FY 2001-02. This data was the basis of support for the total evaluation population for the audit period.

We reviewed the completed teacher evaluation listings 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:

	Number of Completed Evaluations		
Fiscal Year	District-Provided	Audited	Difference
2001-02	245	204	(41)
2002-03	269	202	(67)
2003-04	224	190	(34)
2004-05	213	179	(34)
2005-06	162	144	(18)
2006-07	179	159	(20)
2007-08	162	142	(20)
2008-09	200	170	(30)
2009-10	219	183	(36)
2010-11	219	177	(42)
2011-12	269	219	(50)
Totals	2,361	1,969	(392)

The non-reimbursable evaluations included the following:

- Assistant principals, librarians, counselors, psychologists, nurses, deans, coordinators, and aides, who are not certificated instructional employees;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations requested during testing that were unable to be located by the district.

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for "evaluation activities" from FY 2001-02 through FY 2011-12, we multiplied the number of allowable evaluations by allowable hours per evaluation and claimed productive hourly rates.

For the remaining years, we used the data in FY 2001-02 as the "base" year. We applied an implicit price deflator to total allowable evaluation activities costs in FY 2001-02 to determine allowable evaluation activities costs for FY 1999-2000 and FY 2000-01.

The following table summarizes allowable evaluation costs by fiscal year.

	Evaluation Activities		
Fiscal Year	Claimed	Allowable	Audit Adjustment
1999-2000	91,612	21,410	(70,202)
2000-01	87,717	22,431	(65,286)
2001-02	94,800	23,423	(71,377)
2002-03	111,593	24,825	(86,768)
2003-04	96,718	22,271	(74,447)
2004-05	99,159	22,973	(76,186)
2005-06	118,908	18,000	(100,908)
2006-07	208,120	21,022	(187,098)
2007-08	108,605	19,888	(88,717)
2008-09	122,683	22,500	(100,183)
2009-10	86,877	21,659	(65,218)
2010-11	99,124	20,993	(78,131)
2011-12	123,918	26,366	(97,552)
Total	$ 1,449,834	$ 287,761	$ (1,162,073)

We then applied the applicable indirect cost rates to allowable evaluation activities to calculate allowable indirect costs of $17,438 for this component.

Calculation of Allowable Training Costs

The district claimed training hours in multiple years of the audit period, totaling $13,662. We found that $2,442 in training costs is reimbursable under the mandate and $11,220 is not reimbursable. 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 following table summarizes claimed, allowable, and unallowable salaries and benefits related to training costs by fiscal year using the claimed PHRs:

	Training		
Fiscal Year	Claimed	Allowable	Audit Adjustment
1999-2000	$ 279	$ 55	$ (224)
2000-01	433	375	(58)
2001-02	450	164	(286)
2002-03	3,086	-	(3,086)
2003-04	1,852	-	(1,852)
2004-05	587	388	(199)
2005-06	2,148	267	(1,881)
2006-07	809	809	-
2007-08	723	-	(723)
2008-09	74	-	(74)
2010-11	2,931	261	(2,670)
2011-12	290	123	(167)
Total	$ 13,662	$ 2,442	$ (11,220)

We applied the applicable indirect cost rates to allowable training costs to calculate allowable indirect costs of $159 for this component.

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 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.

District's Response

A. AUDIT FINDINGS FOR FY 2001-02 THROUGH FY 2011-12 TIME STUDY RESULTS

Average Time Allowed

Using time study forms prepared by our mandate consultant, District staff evaluators recorded the time spent over the course of the year-long process to evaluate certificated staff during FY 2011-12. The audited average times to complete the evaluation process based on the District time study documents and the allowable times are as follows:

Evaluation Type	Audited Avg. Hours Time Study 8 activities	Audited Avg. Hours Allowed 3 activities	Percentage Allowed
Permanent	3.54	1.61	45%
Non-permanent	4.24	2.43	57%

The audited annual costs of the evaluation process for FY 2001-02 through FY 2011-12 are based on the average time to implement three of the eight different components of the annual employee evaluation process, multiplied by the number of evaluations performed each year, and then multiplied by the average productive hourly rates (salary and benefits) for the evaluators.

Disallowed Activities

The draft audit report states five of the eight activities identified in the time study are not reimbursable:

1 Conducting a conference with the certificated staff member to review their goals and objectives;

2 Conducting a pre-observation conference with the certificated staff member;

3 Conducting a post-observation conference with the certificated staff member;

4 Conducting a final evaluation conference with the certificated staff member; and

5 Discussing STAR results and how to improve instructional abilities with the certificated staff member.

The draft audit report states that conferences between the evaluators and teachers are not reimbursable because they were required before the enactment of the test claim legislation and thus are not imposing a new program or higher level of service. The District disagrees with this disallowance. The mandate reimburses the new program requirement to "evaluate and assess" which necessarily involves a comprehensive process. The conferences are one part of a continuum of evaluation and assessment steps, none of which individually completes the mandate. The conferences and related tasks are effective and efficient methods to evaluate and assess employees and necessary to communicate the findings of the evaluation to the employee. Even if conferences were part of previous evaluation procedures the subject matter of these conferences is now different as a result of the changes to the Stull Act.

The audit disallows the time to review the STAR test results without explanation. The Commission determined that "the review of the results of the STAR test as it reasonable relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and to include in the written evaluation of those certificated employees the assessment of the employee's performance based on the STAR results for the pupils they teach during the evaluation periods specified in Education Code section 44664 . . ." is reimbursable.

Allowed Activities

The draft audit report states that three of the eight activities identified by the district are reimbursable:

6 Classroom observations (formal and informal);

7 Writing a report regarding observations; and

8 Writing the final evaluation report.

The District agrees that these activities are reimbursable.

SCO's Comments

TIME STUDY RESULTS

Our finding and recommendation are unchanged. The conferences between the teachers and evaluators are non-reimbursable activities.

The district states in its response that "the mandate reimburses the new program requirement to 'evaluate and assess' which necessarily involves a comprehensive process." We disagree. Not all activities from the evaluation process are reimbursable. The mandate reimburses only those activities that impose a new requirement or higher level of service for the agencies.

The program's parameters and guidelines (sections IV.A.1, IV.A.2, and IV.B.1) specify that reimbursement is limited to only those activities outlined in each section. Section IV.B.1 identifies reimbursable evaluation conferences only for those instances in which an unsatisfactory evaluation took place for certificated instructional or non-instructional personnel in those years in which the employee would not have otherwise been evaluated.

The district claimed costs for the conferences resulting from evaluations completed under sections IV.A.1 and IV.A.2 of the parameters and guidelines. Sections IV.A.1 and IV.A.2 do not identify evaluation conferences, or any other types of conferences, as reimbursable activities. Furthermore, the Commission found in its statement of decision that conferences between the evaluators and teachers are not reimbursable because they were required before the enactment of the test claim legislation.

Under prior law, the evaluation was to be prepared in writing and a copy of the evaluation was to be given to the employee. A meeting was to be held between the certificated employee and the evaluator to discuss the evaluation and assessment. The Commission indicated in its statement of decision document that:

> . . . the 1975 test claim legislation did not amend the requirements in Former Education Code sections 13488 and 13489 to prepare written evaluations of certificated employees, receive responses to those evaluations, and conduct a meeting with the certificated employee to discuss the evaluation. . . .

The 1983 test claim statute still requires school districts to prepare the evaluation in writing, to transmit a copy to the employee, and to conduct a meeting with the employee to discuss the evaluation and assessment. These activities are not new.

However, the 1983 test claim statute amended the evaluation requirements by adding two new evaluation factors relating to 1) the instructional techniques and strategies used by the employee, and 2) the employee's adherence to curricular objectives. The Commission found that Education Code section 44662, subdivision (b), as amended by Statutes of 1983, Chapter 498, imposed a new requirement on school districts to:

> . . . 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 is limited to the additional requirements imposed by the amendments. The additional requirements include the review of the employee's instructional techniques and strategies and adherence to curricular objectives, and to include in the written evaluation of the certificated instructional employees the assessment of only these factors. Conference activities do not impose a new program or higher level of service.

The district is correct that "the review of the results of the STAR test . . ." is an allowable activity, per the program's parameters and guidelines. However, the district claimed reimbursement for "discussing STAR results and how to improve instructional abilities with the certificated staff member." The district did not claim an activity that is reimbursable because these two activities are not interchangeable. Reimbursement for this activity is limited to "review of the results of the STAR test . . . and to include in the written evaluation . . . the assessment of the employee's performance based on the STAR results. . ." Discussing the STAR results and how to improve instructional abilities with the certificated staff member implies that a collaborative meeting/conference event took place. Reviewing the results of the STAR test, and the assessment of the employee's performance based on the STAR results, is a process performed by the evaluator to help develop the overall assessment of the employee during their evaluation period.

District's Response

Completed and Allowable Evaluations

The District's human resources department kept a master list of employees who were to be evaluated in each year and updated this list as each evaluation was received. Each list carried over to the next year, and included new employees who were due for an evaluation. The District was able to locate these spreadsheets used to accomplish this tracking back to FY 2001-02. This spreadsheet data was the source used by the auditor to determine the number of reimbursable evaluations for the period of FY 2001-02 through FY 2011-12. The auditor determined the employment status of the evaluated employee and then matched the names to a copy of the completed evaluation in the employee file. The auditor provided the following table of changes to the number of evaluations supported by the spreadsheets:

Total evaluations ("Unedited Universe")				2,361
Less:				
Unallowable job titles	(67)			
Duplicates (same year)	(19)			
Duplicates (different year)	(109)		(195)	
Total evaluations ("Post-testing Population")				2,166
Add: Evaluations found during sampling		39		39
Less:				
Unable to Locate File		(215)		
Unable to Locate in File		(17)		
Unallowable job title		(3)		
Unallowable duplicate		(1)		(236)
Total audited unallowable evaluations				(431)
Total audited allowable evaluations				1,969

The draft audit report disallows 431 of the 2,361 evaluations (about 18%). The draft audit report states these evaluations were disallowed for:

1. *Assistant principals, librarians, counselors, psychologists, nurses, deans, coordinators and aides who are not certificated instructional employees.*

This category of 70 disallowed evaluations comprises 3% of the audited evaluations. The District disagrees with this disallowance. The parameters and guidelines state that the mandate is to evaluate the performance of "certificated instructional employees." All certificated personnel are "instructional" personnel even if they are not classroom teachers. The audit report does not indicate how these other certificated personnel are not implementing state curricular objectives. The District does concur that the portion of the mandate relating to the evaluation of compliance with the testing assessment standards (the STAR component) is limited to classroom teachers because the parameters and guidelines specifically state "employees that teach" specified curriculum.

2. *Duplicate teacher evaluations claimed multiple times in one school year.*

This category of 19 disallowed evaluations comprises less than 1% of the audited evaluations. Potential "duplicate" evaluations generally occur as a result of an employee transferring to another school during the evaluation cycle, or a change in employment status of the employee. The District concurs that only one complete evaluation should be counted for each employee.

3. *Permanent biennial teacher evaluations claimed every year rather than every other year.*

This category of 110 disallowed evaluations comprises 5% of the audited evaluations. The District concurs that only one complete evaluation should be counted for each employee every other year after the employee attains permanent status.

4. *Evaluations requested during testing that were unable to be located by the district.*

This category of 232 disallowed evaluations comprises about 10% of the audited evaluations. These disallowances appear to result when a name could not be traced to a completed evaluation form in the employee file. The District believes that the spread sheet is sufficient documentation that the evaluation occurred since there is no requirement for an employee permanent record for annual claiming. The auditor relied on other data from the spreadsheet, just not this data.

SCO's Comments

Our finding and recommendation are unchanged.

1. *Assistant principals, librarians, counselors, psychologists, nurses, deans, coordinators and aides who are not certificated instructional employees.*

The district states that "All certificated personnel are 'instructional' personnel even if they are not classroom teachers." We disagree. The language of the parameters and guidelines and the Commission statement of decision address the difference between certificated instructional employees and certificated non-instructional employees.

In its statement of decision, the Commission identifies instructional employees as teachers, and non-instructional employees as principals and various administrators. The Commission further states that the test claim legislation, as it relates to evaluation and assessment of certificated non-instructional employees, does not constitute a new program or higher level of service.

In addition, the parameters and guidelines clearly identify reimbursable components and activities as they relate to certificated instructional and certificated non-instructional personnel. Our draft report identifies a finding related to the component of evaluating instructional techniques and strategies and adherence to curricular objectives for the certificated instructional employees. The intent of this component is to evaluate the elements of classroom instruction. Vice principals, librarians, counselors, psychologists, nurses, deans, coordinators, and aides do not provide classroom instruction and are considered "non-instructional" certificated personnel.

2. *Duplicate teacher evaluations claimed multiple times in one school year.*

The district agrees that "only one complete evaluation should be counted for each employee."

3. *Permanent biennial teacher evaluations claimed every year rather than every other year.*

The district agrees that "only one complete evaluation should be counted for each employee every other year after the employee attains permanent status."

4. *Evaluations requested during testing that were unable to be located by the district.*

The district asserts that the "spread sheet is sufficient documentation that the evaluation occurred." We disagree. During the fieldwork portion of the audit, we selected a sample of evaluations to test for compliance with the parameters and guidelines. Our review of the tested sample found 215 evaluations in which the employee file could not be located by district staff, and 17 evaluations in which the file was found, but did not contain the appropriate fiscal year evaluation referenced on the spreadsheet. We excluded 232 evaluations from the total allowable population.

Additionally, the parameters and guidelines, Section V., Claim Preparation and Submission, states that "each claimed reimbursable cost must be supported by source documentation as described in Section IV. (Reimbursable Activities)." Evaluations requested during testing were not supported, and therefore, unallowable.

District's Response

B. AUDIT FINDINGS FOR FY 1999-00 AND FY 2000-01 EXTRAPOLATION OF PRIOR YEAR COSTS

In the absence of the previously mentioned spreadsheet database of evaluations conducted for FY 1999-00 and FY 2000-01, the audit uses FY 2001-02 as a "base year" and applies an Implicit Price Deflator to total allowable evaluation costs for FY 2001-02 to determine allowable evaluation costs for each of FY 1999-00 and FY 2000-01. The District believes that this extrapolation method ignores the potential for the number of staff evaluated during these prior years to be significantly more than those in later years. Comparative data is being prepared and will be presented in the incorrect reduction claim.

SCO's Comments

Our finding and recommendation are unchanged.

The district indicated that the FY 1999-2000 and FY 2000-01 database of evaluations would be significantly higher than those claimed in later years, but has not provided any evidence of this assertion.

District's Response

C. TRAINING COSTS $13,662

The District claimed training costs of $13,662 for the audit period. The draft audit report found that $2,442 in training costs is reimbursable and $11,220 is not due to insufficient documentation. Of the disallowed amount, $6,122 pertains to the cost to attend the ACSA Principal's Academy, which upon subsequent review, should have not been claimed as it is not entirely relevant to individual evaluation time. Most of the remainder of the disallowed time relates to staff who claimed training for more than one fiscal year. The District disagrees with this disallowance. The mandate parameters and guidelines do allow training costs as a one-time activity per employee. However, annual meetings with the principals and other evaluators to commence the annual evaluation cycle are reasonable and necessary when the collective bargaining contract and District evaluation process changes. The remainder of the time was disallowed because the staff person's signature was missing from a document prepared by a third party. The draft audit report does not cite a specific requirement for signatures.

SCO's Comments

Our finding and recommendation are unchanged.

The parameters and guidelines state that the district may claim reimbursement to "train staff on implementing the reimbursable activities" and that training is reimbursable as a "one-time activity for each employee."

The district believes that the meetings with the principals and other evaluators are "reasonable and necessary" activities. However, the reimbursement is limited to only those activities outlined in the parameters and guidelines (section IV.C).

Additionally, the district states that the draft audit report did not cite a specific requirement for signatures on training documentation. We reviewed employee sign-in sheets for claimed training costs for the audit period. The bottom of the document contains an employee certification that states ". . . your signature on this form certifies that you have reported actual data or have provided a good faith estimate which you 'certify (or declare) under penalty of perjury under the laws of the State of California to be true and correct based on your personal knowledge or information. . . '" Certifications offered as supporting documentation for claimed training costs without a signature were not accepted.

OTHER ISSUE—Public Records Request

The district's response included other comments related to the mandated cost claims. The district's comments and SCO's response are presented below.

District's Response

> The District requests copies of all audit work papers in support of the audit findings. The District requests that the Controller provide the District any and all written audit instructions, memoranda, or other writings in effect and applicable during the claiming periods to the findings.

SCO's Comments

The SCO will respond to the district's request in a separate letter.

Attachment—
District's Response to
Draft Audit Report

BONITA UNIFIED SCHOOL DISTRICT

115 West Allen Avenue San Dimas, California 91773 (909) 971-8200 Fax (909) 971-8329

Superintendent
Kurt Madden

Assistant Superintendents
Nanette Hall – Educational Services
Curtis Frick – Human Resources Development
Ann Sparks – Business Services

Board of Education
Chuck Coyne
Glenn Creiman
Jim Elliot
Diane Koach
Patti Latourelle

July 27, 2015

Mr. Jim L. Spano, Chief
Mandated Costs Audits Bureau
Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Bonita Unified School District
Stull Act Mandate Draft Audit Report
FY 1999-00 through FY 2011-12

Dear Mr. Spano:

This letter is the response of the Bonita Unified School District to the draft audit report dated July 20, 2015, received by e-mail on July 20, 2015, for the above-referenced program and fiscal years, transmitted by the letter from Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office.

The District appreciated the opportunity to utilize the actual time forms prepared by staff for FY 2011-12 as the basis of the time study of the mandate program activities. The time study is a reasonable method to fulfill the Controller's expectations for cost accounting and documentation. However, the District will file an incorrect reduction claim due to the limited scope of evaluation activities approved for reimbursement. The District disagrees with the Controller's interpretation of the Stull Act legislation and the test claim findings. From the discussion at the audit entrance and exit conferences, as well as the results of previous audits at other districts, it is clear that this disagreement cannot be resolved at this point. A Commission on State Mandates decision will be needed since this is an issue of statewide significance relevant to all Stull Act audits.

FINDING Overstated salaries and benefits and related indirect costs

The District claimed a total of $1,463,496 in salaries and benefits and $88,937 in related indirect costs for the audit period. The draft audit concludes that $1,173,293 in salaries and benefits and $71,340 in related indirect costs are unallowable primarily because the audit asserts that the District claimed reimbursement for non-mandated evaluation costs ($1,162,073) and training costs ($11,220).

A. AUDIT FINDINGS FOR FY 2001-02 THROUGH FY 2011-12
TIME STUDY RESULTS

The Bonita Unified School District is an equal opportunity employer and does not discriminate on the basis of any class protected by law.

Average Time Allowed

Using time study forms prepared by our mandate consultant, District staff evaluators recorded the time spent over the course of the year-long process to evaluate certificated staff during FY 2011-12. The audited average times to complete the evaluation process based on the District time study documents and the allowable times are as follows:

Evaluation Type	Audited Avg. Hours Time Study 8 activities	Audited Avg. Hours Allowed 3 activities	Percentage Allowed
Permanent	3.54	1.61	45%
Non-permanent	4.24	2.43	57%

The audited annual costs of the evaluation process for FY 2001-02 through FY 2011-12 are based on the average time to implement three of the eight different components of the annual employee evaluation process, multiplied by the number of evaluations performed each year, and then multiplied by the average productive hourly rates (salary and benefits) for the evaluators.

Disallowed Activities

The draft audit report states five of the eight activities identified in the time study are not reimbursable:

1. Conducting a conference with the certificated staff member to review their goals and objectives;
2. Conducting a pre-observation conference with the certificated staff member;
3. Conducting a post-observation conference with the certificated staff member;
4. Conducting a final evaluation conference with the certificated staff member; and
5. Discussing STAR results and how to improve instructional abilities with the certificated staff member.

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written evaluation of those certificated employees the assessment of the employee's performance based on the STAR results for the pupils they teach during the evaluation periods specified in Education Code section 44664 . . . " is reimbursable.

Allowed Activities

The draft audit report states that three of the eight activities identified by the district are reimbursable:

6 Classroom observations (formal and informal);
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The District agrees that these activities are reimbursable.

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The District's human resources department kept a master list of employees who were to be evaluated in each year and updated this list as each evaluation was received. Each list carried over to the next year, and included new employees who were due for an evaluation. The District was able to locate these spreadsheets used to accomplish this tracking back to FY 2001-02. This spreadsheet data was the source used by the auditor to determine the number of reimbursable evaluations for the period FY 2001-02 through FY 2011-12. The auditor determined the employment status of the evaluated employee and then matched the names to a copy of the completed evaluation in the employee file. The auditor provided the following table of changes to the number of evaluations supported by the spreadsheets:

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3. *Permanent biannual teacher evaluations claimed every year rather than every other year.*

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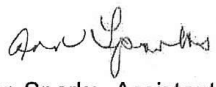
Public Records Request

The District requests copies of all audit work papers in support of the audit findings. The District requests that the Controller provide the District any and all written audit instructions, memoranda, or other writings in effect and applicable during the claiming periods to the findings.

Government Code Section 6253, subdivision (c), requires the state agency that is the subject of the request, within ten days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in possession of the agency and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, the agency must state the estimated date and time when the records will be made available.

Sincerely,



Ann Sparks, Assistant Superintendent,
Business Services
Bonita Unified School District

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