

# **ROWLAND UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

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

*July 1, 1997, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

March 2010



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

March 26, 2010

Robert F. Hidalgo, President  
Board of Education  
Rowland Unified School District  
1830 Nogales Street  
Rowland Heights, CA 91748

Dear Mr. Hidalgo:

The State Controller's Office audited the costs claimed by the Rowland Unified School District for the legislatively mandated The Stull Act Program (Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999) for the period of July 1, 1997, through June 30, 2006.

The district claimed \$2,931,750 for the mandated program. Our audit disclosed that \$682,799 is allowable and \$2,248,951 is unallowable. The costs are unallowable because the district claimed unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

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

JVB/sk:vb

cc: Maria G. Ott, Ph.D., Superintendent  
Rowland Unified School District  
Nonette Martin, Director of Fiscal Services  
Rowland Unified School District  
Darline P. Robles, Ph.D., County Superintendent of Schools  
Los Angeles County Office of Education  
Scott Hannan, Director  
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State Controller's Office

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Official .....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Schedule 1—Summary of Program Costs .....</b>	<b>4</b>
<b>Finding and Recommendation .....</b>	<b>7</b>
<b>Attachment—District’s Response to Draft Audit Report</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Rowland Unified School District for the legislatively mandated The Stull Act Program (Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999) for the period of July 1, 1997, through June 30, 2006.

The district claimed \$2,931,750 for the mandated program. Our audit disclosed that \$682,799 is allowable and \$2,248,951 is unallowable. The costs are unallowable because the district claimed unsupported costs. The State made no payment to the district. The State will pay allowable costs claimed contingent upon available appropriations.

## Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-49665. The legislation provided specific reimbursement 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.

The following activities are reimbursable:

- Evaluating and assessing the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal law for evaluations that reasonably relate to the instructional techniques and strategies used by the employee, as well as the employee's adherence to curricular objectives.
- Evaluating and assessing the performance of certificated instructional employees who teach reading, writing, mathematics, history/social sciences, and science in grades 2 through 11 for evaluations that reasonably relate to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests.
- Assessing and evaluating 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 last until the employee achieves a positive evaluation or is separated from the school district.

On May 27, 2004, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

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

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the The Stull Act Program for the period of July 1, 1997, through June 30, 2006.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed 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, Rowland Unified School District claimed \$2,931,750 for costs of the The Stull Act Program. Our audit disclosed that \$682,799 is allowable and \$2,248,951 is unallowable. The State made no payment to the district. The State will pay allowable costs claimed, totaling \$682,799, contingent upon available appropriations.

## **Views of Responsible Official**

We issued a draft audit report on November 19, 2009. Robert D. Wertz, Ed.D., Deputy Superintendent, responded by letter dated March 17, 2010 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of Rowland Unified School District, the Los Angeles County Office 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  
Chief, Division of Audits

March 26, 2010

**Schedule 1—  
Summary of Program Costs  
July 1, 1997, through June 30, 2006**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment<sup>1</sup></u>
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits	\$ 296,561	\$ 61,621	\$ (234,940)
Indirect costs	19,010	3,950	(15,060)
Total program costs	<u>\$ 315,571</u>	65,571	<u>\$ (250,000)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 65,571</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits	\$ 318,261	\$ 63,038	\$ (255,223)
Indirect costs	30,235	5,989	(24,246)
Total program costs	<u>\$ 348,496</u>	69,027	<u>\$ (279,469)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,027</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 323,666	\$ 65,765	\$ (257,901)
Indirect costs	20,164	4,097	(16,067)
Total program costs	<u>\$ 343,830</u>	69,862	<u>\$ (273,968)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,862</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 355,091	\$ 68,410	\$ (286,681)
Indirect costs	23,045	4,440	(18,605)
Total program costs	<u>\$ 378,136</u>	72,850	<u>\$ (305,286)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 72,850</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 294,491	\$ 69,697	\$ (224,794)
Indirect costs	23,147	5,478	(17,669)
Total program costs	<u>\$ 317,638</u>	75,175	<u>\$ (242,463)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 75,175</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits	\$ 359,710	\$ 72,269	\$ (287,441)
Indirect costs	24,856	4,994	(19,862)
Total program costs	<u>\$ 384,566</u>	77,263	<u>\$ (307,303)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 77,263</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 351,510	\$ 74,687	\$ (276,823)
Indirect costs	23,059	4,899	(18,160)
Total program costs	<u>\$ 374,569</u>	79,586	<u>\$ (294,983)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 79,586</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 350,352	\$ 78,887	\$ (271,465)
Indirect costs	23,404	5,270	(18,134)
Total program costs	<u>\$ 373,756</u>	84,157	<u>\$ (289,599)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,157</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 89,286	\$ 83,771	\$ (5,515)
Indirect costs	5,902	5,537	(365)
Total program costs	<u>\$ 95,188</u>	89,308	<u>\$ (5,880)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,308</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>Summary: July 1, 1997, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 2,738,928	\$ 638,145	\$ (2,100,783)
Indirect costs	<u>192,822</u>	<u>44,654</u>	<u>(148,168)</u>
Total program costs	<u>\$ 2,931,750</u>	682,799	<u>\$ (2,248,951)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 682,799</u>	

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

# Finding and Recommendation

## **FINDING— Unallowable salaries and benefits**

The district claimed \$2,738,928 in salaries and benefits, and \$192,822 in related indirect costs for the audit period. Our audit determined that \$638,145 in salaries and benefits is allowable and \$2,100,783 is unallowable. The related unallowable indirect costs are \$148,168.

### **Fiscal Year (FY) 1997-98 through FY 2004-05**

The district provided its consultant's forms for FY 1997-98 through FY 2004-05, with the header "The Stull Act, Education Code Sections 44660 – 44665" and an attachment worksheet with the header "The Stull Act Mandated Cost Claims, Education Code 44660 – 44665, Worksheet for Principals" to support the hours claimed by teacher evaluators. The forms and worksheets estimated monthly hours spent by teacher evaluators performing reimbursable activities that were completed, signed, and dated in January 2006.

The district also provided us documentation identifying the names of 12 evaluators, the names of the teachers they evaluated during various periods, and the entire set of school site rosters for the audit period. Of the 12 evaluators, only two indicated the teacher's name, evaluation date, fiscal year of evaluation, and the teacher's employment status. These two evaluators did not identify all of the evaluation dates or the length of time for each evaluation. The remaining ten evaluators indicated only the name of the teachers evaluated and the fiscal year of the evaluation; they did not identify the evaluation date(s), the teacher's employment status or the length of time for each evaluation. The rosters listed the names of all school personnel, including teachers at each school site; they did not show which teachers were evaluated, the date(s) of the evaluation, or the length of time for each evaluation.

We noted large variations in the hours claimed from FY 1997-98 through FY 2004-05, compared with FY 2005-06. The average fiscal year claim for FY 1997-98 through FY 2004-05 totaled \$378,520, while the FY 2005-06 claim totaled \$89,286.

The documentation provided by the district did not support costs claimed.

### **FY 2005-06**

For FY 2005-06, the district provided its consultant's forms with the header "The Stull Act, Performance Evaluations for Probationary or Permanent Certificated Instructional Employees, Education Code Sections 44660 – 44665" to support the hours claimed by teacher evaluators. These forms indicated the evaluator's name, the teachers evaluated, the evaluation dates, and the duration of the evaluations. These forms showed a wide range in the lengths of time claimed for the same reimbursable activities among evaluators—from 20 minutes to 2.5 hours for classroom observation, and from 30 minutes to 3 hours for writing the evaluation. The consultant's forms identified dates classrooms were observed, and the dates the written evaluations were

prepared and assessments and reviews were performed. The forms were also signed and dated between April 23, 2006, and June 26, 2006. District staff provided no further documentation supporting the hours claimed or recorded on these forms. District staff stated that no policy existed relating to the duration and frequency of classroom observations.

To validate the hours claimed, we interviewed 12 principals who evaluated teachers. Based on these interviews and subsequent discussions with district staff, we re-evaluated the documentation provided to support the amount claimed and determined that \$5,515 of the \$89,286 in salaries and benefits claimed is unallowable. The related unallowable costs are \$365. We recalculated reimbursable costs by adjusting actual costs claimed by unallowable or underclaimed costs. For salaries and benefits, the district:

- Claimed excess and unreasonable hours of \$6,788 (e.g., hours in excess of 10 hours a day);
- Claimed group discussion hours as individual hours of \$3,624;
- Duplicated hours of \$2,382;
- Claimed unallowable evaluations of administrative staff of \$409;
- Underclaimed hours for one employee of \$3,459;
- Did not claim any hours for another employee of \$4,237; and
- Claimed unsupported costs of \$8 due to rounding.

### **Alternative Methodology**

During the audit process, we worked with the district to determine allowable salaries and benefits for FY 1997-98 through FY 2004-05. District teacher evaluators stated that the district's process for evaluating teachers did not change significantly during the audit period. Furthermore, based on district information reported to the California Department of Education, the number of teachers employed by the district in FY 2005-06 was less than the number of teachers employed by the district in each of the eight fiscal years from FY 1997-98 through FY 2004-05. Consequently, we calculated costs for FY 1997-98 through FY 2004-05 by reducing FY 2005-06 reimbursable salary costs by the individual year's implicit price deflator using the National Deflator for State and Local Purchases. We used the deflators updated August 2009 on the Department of Finance Web site. The site's source was the United States Department of Commerce, Bureau of Economic Analysis, August 17, 2009.

Based on this methodology, of the \$2,649,642 in salaries and benefits claimed from FY 1997-98 through FY 2004-05, we determined that \$554,374 was allowable and \$2,095,268 was unallowable. We discussed this methodology with district staff during the audit. The district stated that it concurred with the recalculated allowable cost.

The following table summarizes the audit adjustments:

<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>Indirect Costs</u>	<u>Audit Adjustment</u>
1997-98	\$ 234,940	\$ 15,060	\$ 250,000
1998-99	255,223	24,246	279,469
1999-2000	257,901	16,067	273,968
2000-01	286,681	18,605	305,286
2001-02	224,794	17,669	242,463
2002-03	287,441	19,862	307,303
2003-04	276,823	18,160	294,983
2004-05	271,465	18,134	289,599
2005-06	5,515	365	5,880
Total	<u>\$ 2,100,783</u>	<u>\$ 148,168</u>	<u>\$ 2,248,951</u>

The program’s parameters and guidelines (section IV) 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 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.

The parameters and guidelines (section V.A.1.) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

We recommend that the district ensure that all claimed costs are applicable to the mandated program and reimbursable under the program parameters and guidelines, and that the costs are properly supported with source documents.

District’s Response

The district agreed with the finding.

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

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**Governing Board**  
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Maria G. Ott, Ph. D.  
Superintendent

March 17, 2010

Mr. Jim L. Spano, CPA  
Bureau Chief  
State Controller's Office  
Division of Audits / Mandated Cost Audits Bureau

Reference: Stull Act Audit

Dear Mr. Spano,

We are responding on the findings and recommendations stated in the draft of the audit report for the period July 1, 1997 to June 30, 2006 for the Stull Act Mandated cost reimbursement claim. As indicated to you, the district concurs with the amount allowed as well as the methodology applied. Please see the plan of action below to address the State Controller's Office recommendation.

State Controller's Office Recommendation:

"We recommend that the district ensure that all claimed costs are applicable to the mandated program and reimbursable under the program parameters and guidelines, and that the costs are properly supported with source documents."

District Response:

The district will ensure that all reimbursement claims on evaluations done at the schools are properly documented and records of all evaluations are also maintained centrally at the Personnel Department.

The following information will be maintained at the schools for each fiscal year:

1. Name of teacher being evaluated indicating whether probationary or permanent
2. Name and position of supervisor performing the evaluation
3. Description and time spent in each reimbursable activity performed (observation, write up, post evaluation conference)
4. Date/s evaluation performed

**Board Vision:** The Rowland Unified School District promotes, expects, and accepts nothing short of excellence. We have a collective commitment to be the best school district in California.

**Mission:** The mission of the Rowland Unified School District, the progressive international community united in learning, is to empower students so that each actualizes his or her unique potential and responsibly contributes to a global society, through a system distinguished by rigorous academics, innovative use of technology, creative exploration, and nurturing learning experiences.

Personnel department will maintain the following information for each year of claim:

1. List of all teachers that are due for evaluation per site – beginning of the year
2. List of all teachers that were evaluated per site – end of the year
3. The supervisor performing the evaluation

While the district complies with the required evaluation procedures, we agree that a summary of evaluations performed and documentation of reimbursable activities will have to be properly maintained.

Please contact Nonette Martin, Director of Fiscal Services, at 626-854-8323 if you need additional information.

Very truly yours,



Robert Wertz, Ed. D.  
Deputy Superintendent  
Administrative Services Department

cc: Nonette Martin, Director of Fiscal Services, Rowland Unified School District

**State Controller's Office  
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