

# **NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

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

*July 1, 2011, through June 30, 2013*



**BETTY T. YEE**  
California State Controller

February 2019



**BETTY T. YEE**  
California State Controller

February 19, 2019

Hasmik Danielian, Ed.D., Superintendent  
Norwalk-La Mirada Unified School District  
12820 Pioneer Boulevard  
Norwalk, CA 90650

Dear Dr. Danielian:

The State Controller's Office (SCO) audited the costs claimed by Norwalk-La Mirada Unified School District for the legislatively mandated The Stull Act Program for the period of July 1, 2011, through June 30, 2013.

The district claimed \$534,725 for the mandated program. Our audit found that \$107,896 is allowable (\$113,473 less a \$5,577 penalty for filing a late claim) and \$426,829 is unallowable primarily because the district claimed non-reimbursable activities. The State made no payments to the district. The State will pay \$107,896, contingent upon available appropriations. Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

This final audit report contains an adjustment to costs claimed by the district. If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to the Commission's regulations, outlined in Title 2, *California Code of Regulations*, section 1185.1, subdivision (c), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at [www.csm.ca.gov/forms/IRCForm.pdf](http://www.csm.ca.gov/forms/IRCForm.pdf).

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

cc: Chris Pflanzner, Board President  
Norwalk-La Mirada Unified School District  
Estuardo Santillan, Assistant Superintendent, Business Services  
Norwalk-La Mirada Unified School District  
Manuel Cardoso, Director, Fiscal Services  
Norwalk-La Mirada Unified School District  
Keith D. Crafton, Director  
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Anita Dagan, Manager  
Local Government Programs and Services Division  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Norwalk-La Mirada Unified School District for the legislatively mandated The Stull Act Program for the period of July 1, 2011, through June 30, 2013.

The district claimed \$534,725 for the mandated program. Our audit found that \$107,896 is allowable (\$113,473 less a \$5,577 penalty for filing a late claim) and \$426,829 is unallowable primarily because the district claimed non-reimbursable activities. The State made no payments to the district. The State will pay \$107,896, contingent upon available appropriations.

## Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added sections 44660 through 44665 to the California Education Code. 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 (GC) section 17514.

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

The Commission-approved reimbursable activities are as follows:

- Evaluating and assessing the performance of certificated instructional employees related to the instructional techniques and strategies used by the employee, and the employee's adherence to curricular objectives (California Education Code section 44662(b), as amended by Chapter 498, Statutes of 1983);
- Evaluating and assessing the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 through 11 related to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests (California Education Code section 44662(b), as amended by Chapter 4, Statutes of 1999); and
- 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 California Education Code section 44664. The additional

evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (California Education Code section 44664, as amended by Chapter 498, Statutes of 1983).

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

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated The Stull Act Program. Specifically, we conducted this audit 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 audit period was July 1, 2011, through June 30, 2013.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the district for the audit period and identified the material cost components of each claim as salaries and benefits, and indirect costs. Determined whether there were any errors or any unusual or unexpected variances from year to year. Reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key district staff, and discussed the claim preparation process with district staff to determine what information was obtained, who obtained it, and how it was used;
- Requested time documentation to support the salary and benefits costs claimed for FY 2011-12 and FY 2012-13. The district did not provide contemporaneous time documents for the audited years; however, we used a time study conducted during a prior audit of the district's The Stull Act Program. Using the prior time study, we determined the allowable activities listed by the district and allowed only the time increments for those activities;
- Reviewed lists, provided by the district, of employees evaluated for FY 2011-12 and FY 2012-13. Of the 845 employees evaluated for the audit period, we removed 269 from the population for several reasons, including duplicated evaluations and unallowable position titles. The resulting allowable population was 576 for FY 2011-12 and FY 2012-13 (see the Finding and Recommendation section for more detail);
- Traced 91 employees' productive hourly rates (PHRs) to supporting documentation from the district's payroll system for the audit period. We compared the results of our testing to those employees individually identified on the claims, where we noted immaterial variances. Based on the results of our review, we applied the actual PHR for each evaluator to every allowable evaluation conducted by that evaluator;

- Reviewed all claimed training costs for the audit period. Due to the immaterial nature of the training costs, we allowed the costs as claimed;
- Compared the claimed indirect cost rates to the rates allowed by the California Department of Education. We noted no errors; therefore, we accepted the rates as claimed; and
- Reviewed potential sources of offsetting revenues and reimbursements for the audit period. We inquired with district staff and reviewed the district's single audit reports (with accompanying financial statements) for other sources of funding.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the district's financial statements.

## Conclusion

As a result of performing the audit procedures, we found an instance of noncompliance with the requirements described in our audit objective. We found that the district did not claim costs that were funded by other sources; however, it did claim ineligible costs, as quantified in the accompanying Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, Norwalk-La Mirada Unified School District claimed \$534,725 for costs of the legislatively mandated The Stull Act Program. Our audit found that \$107,896 is allowable (\$113,473 less a \$5,577 penalty for filing a late claim) and \$426,829 is unallowable. The State made no payments to the district. The State will pay \$107,896, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

## Follow-up on Prior Audit Findings

The district has not resolved the finding noted in our prior audit report, issued May 27, 2014, as described in the Finding and Recommendation section. However, the district would have been unable to implement any recommendation offered by that report, as the FY 2011-12 and FY 2012-13 claims were submitted before the report's issuance date.

**Views of  
Responsible  
Officials**

We discussed our audit results with Estuardo Santillan, Assistant Superintendent, Business Services, and Manuel Cardoso, Director, Fiscal Services, during an exit conference conducted on December 14, 2018. Mr. Santillan neither agreed nor disagreed with the audit findings presented at the exit conference, but agreed that we could forego a draft audit report.

On January 10, 2019, we provided both Mr. Santillan and Mr. Cardoso with a preliminary copy of the final report. Mr. Santillan subsequently responded that we could issue the report as final.

**Restricted Use**

This report is solely for the information and use of Norwalk-La Mirada 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 audit report, which is a matter of public record.

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

February 19, 2019



## Schedule—

# Summary of Program Costs

### July 1, 2011, through June 30, 2013

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	\$ 240,575	\$ 52,958	\$(187,617)
Total direct costs	240,575	52,958	(187,617)
Indirect costs	12,750	2,807	(9,943)
Subtotal	253,325	55,765	(197,560)
Less late filing penalty <sup>2</sup>	-	(5,577)	(5,577)
Total program costs	<u>\$ 253,325</u>	50,188	<u>\$(203,137)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 50,188</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits:			
Evaluation activities	\$ 270,376	\$ 55,018	(215,358)
Training	540	540	-
Total direct costs	270,916	55,558	(215,358)
Indirect costs	10,484	2,150	(8,334)
Total program costs	<u>\$ 281,400</u>	57,708	<u>\$(223,692)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 57,708</u>	
<u>Summary: July 1, 2011, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits:			
Evaluation activities	\$ 510,951	\$ 107,976	\$(402,975)
Training	540	540	-
Total direct costs	511,491	108,516	(402,975)
Indirect costs	23,234	4,957	(18,277)
Subtotal	534,725	113,473	(421,252)
Less late filing penalty <sup>2</sup>	-	(5,577)	(5,577)
Total program costs	<u>\$ 534,725</u>	107,896	<u>\$(426,829)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 107,896</u>	

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

<sup>2</sup> The district filed its FY 2011-12 annual reimbursement claim after the due date specified in GC section 17560. Pursuant to GC section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000.

<sup>3</sup> Payment amount current as of November 8, 2018.

# Finding and Recommendation

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

The district claimed \$511,491 in salaries and benefits for the audit period. During our testing, we found that \$108,516 is allowable and \$402,975 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities related to the teacher evaluation process. The error occurred because the district misinterpreted the program's parameters and guidelines, which narrowly define the reimbursable activities, and claimed many additional activities outside of the scope of the mandate. Unallowable related indirect costs total \$18,277, for a total audit finding of \$421,252.

We previously audited the district's program claims filed for FY 1997-98 through FY 2010-11. That audit also found that the district claimed activities outside of the scope of the mandate.

The following table summarizes the unallowable salaries and benefits, and related indirect costs:

Direct Costs	Salaries and Benefits			Related Indirect Costs		Total
	Amount Claimed	Amount Allowable	Audit Adjustment	Indirect Cost Rate	Indirect Cost Adjustment	Audit Adjustment
FY 2011-12						
Evaluation activities	\$ 240,575	\$ 52,958	\$(187,617)	5.30%	\$ (9,943)	\$(197,560)
FY 2012-13						
Evaluation activities	270,376	55,018	(215,358)	3.87%	(8,334)	(223,692)
Training	540	540	-	3.87%	-	-
Total	<u>\$ 511,491</u>	<u>\$ 108,516</u>	<u>\$(402,975)</u>		<u>\$ (18,277)</u>	<u>\$(421,252)</u>

### **Prior Audit Report**

We issued a final audit report for Norwalk-La Mirada Unified School District's The Stull Act Program (covering FY 1997-98 through FY 2010-11) on May 27, 2014. In that report, we stated that the majority of the claimed costs were unsupported because they were based on estimated time records, which had not been collected contemporaneously. During that audit, the district requested to conduct a full-year time study during FY 2012-13 and apply the results of the time study to the years under audit. We agreed.

For this audit, we requested supporting time documentation for FY 2011-12 and FY 2012-13. The district provided documentation similar to that presented during the prior audit engagement. However, this time we applied the results of the prior time study (conducted during FY 2012-13) to the current audit.

### **Time Study Activities**

The time study determined 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 study results reported time for meetings, observation, report writing, and other activities within the evaluation process.

Five of the eight activities that the district identified in its time study are not reimbursable under the mandate. The five non-reimbursable activities are as follows:

1. Conducting a goals and objectives 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 the certificated staff member; and
5. Discussing standardized testing and reporting (STAR) results and how to improve instructional abilities with this certificated staff member outside of the activities identified.

The program's parameters and guidelines do not allow reimbursement for 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. In addition, interviews with the district evaluators revealed that discussing STAR results entailed conducting group meetings of overall STAR performance and areas in need of improvement, rather than separately evaluating each individual teacher's performance based on STAR results.

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

1. Classroom observations (formal and informal);
2. Writing a report based on observations; and
3. Writing the final evaluation report.

The time study results found that it takes district evaluators an average of 1.89 hours per permanent teacher evaluation and 3.07 hours per probationary/temporary teacher (non-permanent) to complete allowable activities within the evaluation process. In addition, the time study supported that it takes the district evaluators an average of 12.99 hours per unsatisfactory teacher evaluation to complete allowable activities within the evaluation process.

### **Completed Evaluations**

For the audit period, we received a comprehensive list of certificated employees evaluated by the district. This data was the basis of support for the total evaluated population for FY 2011-12 and FY 2012-13.

The parameters and guidelines allow reimbursement for evaluations conducted of certificated instructional personnel who perform the requirements of education programs mandated by state or federal law during specific evaluation periods. We reviewed teacher evaluation lists to ensure that only eligible evaluations were counted for reimbursement, and found that 269 were not reimbursable for the following reasons:

- Duplicate teacher evaluations claimed multiple times in one school year (178);
- Permanent certificated biannual teacher evaluations claimed every year rather than every other year (4);
- Non-special-education preschool teachers and adult-education teachers who do not perform the requirements of the program mandated by state or federal law (56); and
- Evaluations performed for certificated non-instructional employees (e.g. counselors and coaches) (31).

The following table summarizes our audit results:

Fiscal Year	Evaluations					Total Allowable Evaluations
	Documented by the District	Duplicates in the Same Year	Duplicates in Different Years	Unallowable Position Title	Non-Instructional Employees	
2011-12	406	(87)	-	(25)	(17)	277
2012-13	439	(91)	(4)	(31)	(14)	299
Total	845	(178)	(4)	(56)	(31)	576

To arrive at allowable salaries and benefits for evaluation activities for the audit period, we multiplied the allowable time for each evaluation by the claimed PHR for each evaluator performing the program’s reimbursable activities.

Section IV.A.1 of the parameters and guidelines states that the following is reimbursable:

1. 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 (Ed. Code, § 44662, subd. (b), as amended by Stats. 1983, ch. 498.). *(Reimbursement period begins July 1, 1997.)*

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 (as defined in 20 U.S.C. § 7801), and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

Section IV.A.2 of the parameters and guidelines states that the following is reimbursable:

2. 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. (Ed. Code, § 44662, subd. (b), as amended by Stats. 1999, ch. 4.) (*Reimbursement period begins March 15, 1999.*)

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 (as defined in 20 U.S.C. § 7801), and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

Section IV. of the parameters and guidelines states:

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 receive block grant funding pursuant to GC section 17581.6, in lieu of submitting annual mandated cost claims to the SCO for reimbursement. If the district chooses to opt out of receiving block grant funding, we recommend that the district:

- Follow the mandated program claiming instructions and parameters guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by contemporaneous source documentation.

**State Controller's Office  
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