

# **CASTRO VALLEY UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

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

*July 1, 2010, through June 30, 2015*



**BETTY T. YEE**  
California State Controller

April 2018



**BETTY T. YEE**  
California State Controller

April 6, 2018

Parvin Ahmadi, Superintendent  
Castro Valley Unified School District  
4400 Alma Avenue  
Castro Valley, CA 94546

Dear Ms. Ahmadi:

The State Controller's Office (SCO) audited the costs claimed by Castro Valley Unified School District for the legislatively mandated Stull Act Program for the period of July 1, 2010, through June 30, 2015.

Castro Valley Unified School District claimed \$773,524—\$356,676 is allowable and \$416,848 is unallowable primarily because the district claimed reimbursement for non-mandated activities. The State made no payments to the district. The State will pay \$356,676, contingent upon available appropriations. Following the issuance of this report, the SCO's Local Government Programs and Services Division will notify the district of the adjustments via a system-generated letter for each fiscal year of the audit period.

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

Sincerely,

*Original signed by*

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

JVB/rg

cc: Jo A.S. Loss, President, Board of Education  
Castro Valley Unified School District  
Suzy Chan, Assistant Superintendent of Business Services  
Castro Valley Unified School District  
Sherri Beetz, Assistant Superintendent of Human Resources  
Castro Valley Unified School District  
Jeff Potter, Chief Business Officer  
District Business and Advisory Services  
Alameda County Office of Education  
Caryn Moore, Director  
School Fiscal Services Division  
California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
Government Affairs Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit  
California Department of Finance  
Anita Dagan, Manager  
Local Government Programs and Services Division  
California State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Castro Valley Unified School District for the legislatively mandated Stull Act Program for the period of July 1, 2010, through June 30, 2015.

The district claimed \$773,524 for the mandated program. Our audit found that \$356,676 is allowable and \$416,848 is unallowable primarily because the district claimed reimbursement for non-mandated activities. The State made no payments to the district. The State will pay \$356,676, contingent upon available appropriations. Following the issuance of this report, the SCO's Local Government Programs and Services Division (LGPSD) will notify the district of the adjustments via a system-generated letter for each fiscal year of the audit period.

## Background

Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999, added Education Code sections 44660 through 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 (GC) 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 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 that 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);
- Evaluating and assessing 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 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); and
- Assessing and evaluating permanent certificated, instructional, and non-instructional employees that 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).

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

The objective of our audit was to determine whether costs claimed represent increased costs resulting from 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 from July 1, 2010, through June 30, 2015.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the district for the audit period to identify the material cost components of each claim, and to determine whether there were any errors or any unusual or unexpected variances from year to year. We also 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 performed a walk-through of the claim preparation process to determine what information was obtained, who obtained it, and how it was used;
- Requested supporting time documentation for the entire audit period. We calculated an average time allotment for permanent, probationary, and temporary employees for fiscal year (FY) 2011-12 through FY 2014-15. (Although we received contemporaneous time records for FY 2010-11, we did not review them, as the district was unable to provide a listing of employees evaluated for FY 2010-11);
- Requested and reviewed listings of employees evaluated for FY 2011-12 through FY 2014-15. Using a random number generator, we randomly selected a non-statistical sample and tested 200 evaluations (out of 703) for the audit period. During testing, we identified three errors in the sample that were not projected to the population;
- Traced a haphazardly selected sample of employees' claimed productive hourly rates to supporting documentation from the district's payroll system. For FY 2011-12 through FY 2014-15, we sampled and tested 64 employees. We noted minor, immaterial variances; therefore, we accepted the rates as claimed;
- Traced all claimed training costs to supporting documentation provided by the district, and noted any unallowable costs; and
- Compared all 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.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. 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**

Our audit found an instance of noncompliance with the requirements outlined in the Objective section. 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, the district claimed \$773,524 for costs of the Stull Act Program. Our audit found that \$356,676 is allowable and \$416,848 is unallowable. The State made no payments to the district. The State will pay \$356,676, contingent upon available appropriations. Following the issuance of this report, the SCO's LGPSD will notify the district of the adjustments via a system-generated letter for each fiscal year in the audit period.

## **Follow-up on Prior Audit Findings**

The district has partially resolved the finding noted in our prior Stull Act audit report, issued July 25, 2013. While the district continues to claim reimbursement for non-mandated activities and unsupported training costs, we no longer have an adjustment for misstated productive hourly rates.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on February 23, 2018. Sherri Beetz, Assistant Superintendent of Human Resources, and Suzy Chan, Assistant Superintendent of Business Services, neither agreed nor disagreed with the audit results. Ms. Beetz declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of Castro Valley Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 6, 2018



## Schedule— Summary of Program Costs July 1, 2010, through June 30, 2015

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2010 through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 156,525	\$ 53,201	\$ (103,324)
Training activities	1,131	512	(619)
Total direct costs	157,656	53,713	(103,943)
Indirect costs	12,376	4,216	(8,160)
Total program costs	<u>\$ 170,032</u>	57,929	<u>\$ (112,103)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 57,929</u>	
<u>July 1, 2011 through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 157,009	\$ 54,525	\$ (102,484)
Training activities	2,152	1,893	(259)
Total direct costs	159,161	56,418	(102,743)
Indirect costs	9,995	3,543	(6,452)
Total program costs	<u>\$ 169,156</u>	59,961	<u>\$ (109,195)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 59,961</u>	
<u>July 1, 2012 through June 30, 2013</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 93,756	\$ 63,146	\$ (30,610)
Total direct costs	93,756	63,146	(30,610)
Indirect costs	5,241	3,530	(1,711)
Total program costs	<u>\$ 98,997</u>	66,676	<u>\$ (32,321)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 66,676</u>	

### Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2013 through June 30, 2014</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 176,511	\$ 82,972	\$ (93,539)
Total direct costs	176,511	82,972	(93,539)
Indirect costs	10,467	4,920	(5,547)
Total program costs	<u>\$ 186,978</u>	87,892	<u>\$ (99,086)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 87,892</u>	
<u>July 1, 2014 through June 30, 2015</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 138,681	\$ 78,723	\$ (59,958)
Total direct costs	138,681	78,723	(59,958)
Indirect costs	9,680	5,495	(4,185)
Total program costs	<u>\$ 148,361</u>	84,218	<u>\$ (64,143)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 84,218</u>	
<u>Summary: July 1, 2010 through June 30, 2015</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 722,482	\$ 332,567	\$ (389,915)
Training	3,283	2,405	(878)
Total direct costs	725,765	334,972	(390,793)
Indirect costs	47,759	21,704	(26,055)
Total program costs	<u>\$ 773,524</u>	356,676	<u>\$ (416,848)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 356,676</u>	

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

<sup>2</sup> Payment information current as of January 2, 2018.

# Finding and Recommendation

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

The district claimed \$725,765 in salaries and benefits and \$47,759 in related indirect costs for the audit period. We found that \$334,972 in salaries and benefits is allowable and \$390,793 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities. Unallowable related indirect costs total \$26,055.

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

Fiscal Year	Salaries and Benefits		
	Amount Claimed	Amount Allowable	Audit Adjustment
2010-11	\$ 157,656	\$ 53,713	\$ (103,943)
2011-12	159,161	56,418	(102,743)
2012-13	93,756	63,146	(30,610)
2013-14	176,511	82,972	(93,539)
2014-15	138,681	78,723	(59,958)
	<u>\$ 725,765</u>	<u>\$ 334,972</u>	<u>\$ (390,793)</u>

**Supporting Time Documents**

For the audit period, the district evaluators recorded actual time for specific evaluated employees. The district’s time documents recorded the time that it took district evaluators to perform eight main activities within the teacher evaluation process. Collectively, the district evaluated permanent, probationary, and temporary certificated instructional employees. For FY 2011-12 through FY 2014-15, time increments for the following five activities on the district’s time documents were not included in the average time allotment:

- Conducting a conference with the certified staff member to review their goals and objectives;
- Conducting a pre-observation conference with the certificated staff member;
- Conducting a post-observation conference with the certificated staff member;
- Conducting a final evaluation conference with the certificated staff member; and
- Discussing STAR results and how to improve instructional abilities with this certificated staff member outside of the activities identified.

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

- Classroom observations;

- Writing a report regarding observations; and
- Writing the final evaluation report.

After we removed the unallowable activities reported by the district, the district's contemporaneous time records show the following averages:

**FY 2011-12**

Permanent certificated instructional employees:	4.11 Hours
Probationary certificated instructional employees:	3.61 Hours
Temporary certificated instructional employees:	3.53 Hours

**FY 2012-13**

Permanent certificated instructional employees:	3.80 Hours
Probationary certificated instructional employees:	3.41 Hours
Temporary certificated instructional employees:	3.37 Hours

**FY 2013-14**

Permanent certificated instructional employees:	3.93 Hours
Probationary certificated instructional employees:	3.09 Hours
Temporary certificated instructional employees:	2.83 Hours

**FY 2014-15**

Permanent certificated instructional employees:	3.86 Hours
Probationary certificated instructional employees:	3.20 Hours
Temporary certificated instructional employees:	3.38 Hours

For the audit period, the district evaluated probationary and temporary employees twice per school year. Each evaluation was separate and distinct, but the time increments listed in the supporting documentation did not match activities claimed with the evaluation performed. Therefore, we determined the average time increment for probationary and temporary employees and reduced the average by half, as only one evaluation per year is reimbursable.

We did not review the time records provided for FY 2010-11, as the district was unable to provide a listing of employees evaluated for that school year. We used the allowable salaries and benefits costs in FY 2011-12 and applied an implicit price deflator to determine allowable salaries and benefits for FY 2010-11.

**Completed Evaluations**

The district's Human Resources Department assembled a master list of evaluations for FY 2011-12 through FY 2014-15. This list is the basis of support for the total evaluation population for the audit period.

We reviewed the evaluation listings for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. The program's parameters and guidelines allow reimbursement for evaluations conducted for certificated instructional personnel who perform the requirements of education programs mandated by state or federal law during specific

evaluation periods. The parameters and guidelines also allow reimbursement once per year for evaluations conducted for probationary employees and every other year for permanent employees.

The following table shows the number of evaluations that are not reimbursable under the mandated program:

Fiscal Year	Number of Completed Evaluations		
	District- Provided	Audited	Difference
2011-12	143	136	(7)
2012-13	157	150	(7)
2013-14	237	228	(9)
2014-15	207	186	(21)
Totals	744	700	(44)

The non-reimbursable evaluations included the following:

- Certificated employees with non-instructional job classifications;
- Teacher evaluations claimed multiple times in one school year;
- Permanent biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations we requested during testing that the district was unable to locate.

**Calculation of Allowable Evaluation Costs**

To arrive at allowable salaries and benefits for “evaluation activities” for the audit period, we multiplied the number of allowable evaluations by the average of allowable hours per evaluation and the average of all claimed productive hourly rates (PHRs).

The following table summarizes allowable evaluation costs by fiscal year:

Fiscal Year	Evaluation activities		
	Amount Claimed	Amount Allowable	Audit Adjustment
2010-11	\$ 156,525	\$ 53,201	\$ (103,324)
2011-12	157,009	54,525	(102,484)
2012-13	93,756	63,146	(30,610)
2013-14	176,511	82,972	(93,539)
2014-15	138,681	78,723	(59,958)
	\$ 722,482	\$ 332,567	\$ (389,915)

**Calculation of Allowable Training Costs**

The district claimed training costs of \$3,283 for FY 2010-11 and FY 2011-12. We found that \$2,405 in training costs is reimbursable under the mandate and \$878 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 cost by fiscal year using the claimed PHRs:

Fiscal Year	Training		Audit
	Claimed	Allowable	Adjustment
2010-11	\$ 1,131	\$ 512	\$ (619)
2011-12	<u>2,152</u>	<u>1,893</u>	<u>(259)</u>
Total	<u>\$ 3,283</u>	<u>\$ 2,405</u>	<u>\$ (878)</u>

Section IV.A.1 of the parameters and guidelines states 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:
  - o Once each year for probationary certificated employees;
  - o Every other year for permanent certificated employees; and
  - o 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.

Section IV.A.2 of the parameters and guidelines states 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.

Section IV.C of the parameters and guidelines states 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.)

Section IV of the parameters and guidelines also 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 2015-16, the district elected to participate in a block grant program, pursuant to GC 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 follow the mandated program claiming instructions and ensure that claimed costs are based on actual costs, are for activities reimbursable under the program's parameters and guidelines, and are supported by contemporaneous source documentation.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**