

Fairfield-Suisun Unified School District

Audit Report

THE STULL ACT PROGRAM

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

*July 1, 2005, through June 30, 2008;
and July 1, 2010, through June 30, 2013*



BETTY T. YEE
California State Controller

June 2018



BETTY T. YEE
California State Controller

June 22, 2018

Kris Corey, Superintendent
Fairfield-Suisun Unified School District
2490 Hilborn Road
Fairfield, CA 94534

Dear Ms. Corey:

The State Controller's Office (SCO) audited the costs claimed by Fairfield-Suisun Unified School District for the legislatively mandated Stull Act Program for the period of July 1, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2013. We did not include the costs claimed for the period of July 1, 2008, through June 30, 2010, in the audit period because the statute of limitations to initiate the audit of these years had expired.

The district claimed \$624,988 for the mandated program. Our audit found that \$197,670 is allowable and \$427,318 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for unsupported costs. The State paid the district \$286,812. 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 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 the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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.

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: David C. Isom, Board President

Fairfield-Suisun Unified School District

Robert A. Martinez, Ed.D., Assistant Superintendent of Human Resources

Fairfield-Suisun Unified School District

Michelle Henson, Assistant Superintendent of Business Services

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Fairfield-Suisun Unified School District for the legislatively mandated Stull Act Program for the period of July 1, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2013. We did not include the costs claimed for the period of July 1, 2008, through June 30, 2010, in the audit period because the statute of limitations to initiate the audit of these years had expired.

The district claimed \$624,988 for the mandated program. Our audit found that \$197,670 is allowable and \$427,318 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for unsupported costs. The State paid the district \$286,812.

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 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 (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 to 11 related 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 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).

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, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2013.

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 discussed 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. The district was unable to provide contemporaneous time records for the audit period. In lieu of contemporaneous time records, we reviewed the district's collective bargaining agreements and found that certificated instructional evaluations are to be based on at least two observations of at least 30 minutes in length. We allowed 60 minutes as the time allotment for each allowable certificated instructional evaluation for the audit period;
- Requested and reviewed lists of employees evaluated for the entire audit period. Using a random number generator, we randomly selected a non-statistical sample and tested 655 evaluations (out of 2,613) for the audit period. During testing, we identified 39 errors in the sample that were not projected to the population;
- Traced a judgmentally selected sample of employee's claimed productive hourly rates to supporting documentation from the district's payroll system. For fiscal year (FY) 2010-11 through FY 2012-13, we sampled and tested the same six employees across a three-year timespan. We noted only minor, immaterial variances; therefore, we accepted the rates as claimed; 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 quantified in the accompanying Schedule (Summary of Program Costs) and described in the Finding and Recommendation section of this report.

For the audit period, Fairfield-Suisun Unified School District claimed \$624,988 for costs of the Stull Act Program. Our audit found that \$197,670 is allowable and \$427,318 is unallowable.

- For the FY 2005-06 through FY 2007-08 claims, we found that \$108,243 is allowable. The State paid the district \$286,812.
- For the FY 2010-11 through FY 2012-13 claims, we found that \$89,427 is allowable. The State made no payments to the district. The State will pay \$89,427, 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

We have not previously conducted an audit of the district's legislatively mandated Stull Act Program.

Views of Responsible Officials

We issued a draft audit report on April 13, 2018. Michelle Henson, Assistant Superintendent of Business Services, responded by letter dated April 19, 2018, disagreeing 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 Fairfield-Suisun Unified School District, the Solano 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

June 22, 2018

Schedule—
Summary of Program Costs
July 1, 2005, through June 30, 2008;
and July 1, 2010, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 51,106	\$ 36,730	\$ (14,376)
Total direct costs	51,106	36,730	(14,376)
Indirect costs	3,255	2,340	(915)
Total program costs	<u>\$ 54,361</u>	39,070	<u>\$ (15,291)</u>
Less amount paid by the State ²		(54,361)	
Amount paid in excess of allowable costs claimed		<u>\$ (15,291)</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 104,845	\$ 44,623	\$ (60,222)
Total direct costs	104,845	44,623	(60,222)
Indirect costs	7,087	3,017	(4,070)
Total program costs	<u>\$ 111,932</u>	47,640	<u>\$ (64,292)</u>
Less amount paid by the State ²		(111,932)	
Amount paid in excess of allowable costs claimed		<u>\$ (64,292)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 114,106	\$ 20,387	\$ (93,719)
Total direct costs	114,106	20,387	(93,719)
Indirect costs	6,413	1,146	(5,267)
Total program costs	<u>\$ 120,519</u>	21,533	<u>\$ (98,986)</u>
Less amount paid by the State ²		(120,519)	
Amount paid in excess of allowable costs claimed		<u>\$ (98,986)</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 87,906	\$ 29,003	\$ (58,903)
Total direct costs	87,906	29,003	(58,903)
Indirect costs	5,107	1,685	(3,422)
Total program costs	<u>\$ 93,013</u>	30,688	<u>\$ (62,325)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 30,688</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 115,983	\$ 28,843	\$ (87,140)
Total direct costs	115,983	28,843	(87,140)
Indirect costs	7,759	1,930	(5,829)
Total program costs	<u>\$ 123,742</u>	30,773	<u>\$ (92,969)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 30,773</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 114,397	\$ 26,348	\$ (88,049)
Total direct costs	114,397	26,348	(88,049)
Indirect costs	7,024	1,618	(5,406)
Total program costs	<u>\$ 121,421</u>	27,966	<u>\$ (93,455)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 27,966</u>	
<u>Summary: July 1, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 588,343	\$ 185,934	\$ (402,409)
Total direct costs	588,343	185,934	(402,409)
Indirect costs	36,645	11,736	(24,909)
Total program costs	<u>\$ 624,988</u>	197,670	<u>\$ (427,318)</u>
Less amount paid by the State ²		(286,812)	
Amount paid in excess of allowable costs claimed		<u>\$ (89,142)</u>	

¹ See the Finding and Recommendation section.

² Payment information current as of April 25, 2018.

Finding and Recommendation

FINDING— Overstated salaries and benefits and related indirect costs

The district claimed \$588,343 in salaries and benefits for the audit period. We found that \$402,409 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for costs not supported by source documentation.

Salaries and benefits were determined by multiplying the number of allowable evaluations by the allowable hours per evaluation (60 minutes), and the average of all claimed productive hourly rates, by fiscal year.

The district overstated salaries and benefits because it misinterpreted the program's parameters and guidelines requirement that it maintain contemporaneous source documentation to support claimed costs. Unallowable related indirect costs total \$24,909.

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

Fiscal Year	Salaries and Benefits			Claimed Indirect Cost Rate	Related Indirect Cost Adjustment ¹	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment			
2005-06	\$ 51,106	\$ 36,730	\$ (14,376)	6.37%	\$ (915)	\$ (15,291)
2006-07	104,845	44,623	(60,222)	6.76%	(4,070)	(64,292)
2007-08	114,106	20,387	(93,719)	5.62%	(5,267)	(98,986)
2010-11	87,906	29,003	(58,903)	5.81%	(3,422)	(62,325)
2011-12	115,983	28,843	(87,140)	6.69%	(5,829)	(92,969)
2012-13	114,397	26,348	(88,049)	6.14%	(5,406)	(93,455)
	<u>\$ 588,343</u>	<u>\$ 185,934</u>	<u>\$ (402,409)</u>		<u>\$ (24,909)</u>	<u>\$ (427,318)</u>

¹ Immaterial differences due to rounding.

Supporting Time Documents

For the audit period, the district did not provide contemporaneous time documentation to support reimbursable evaluation activities. In lieu of contemporaneous time documentation, the district provided collective bargaining agreements for the audit period that stated that at least two formal observations would be held during an employee's evaluation year, and those formal observations would each be at least 30 minutes in length. Therefore, each evaluation would be based on a minimum of 60 minutes of observational time for the evaluation period. This language was identical for every collective bargaining agreement in place for the audit period. We interviewed staff members responsible for conducting evaluations during this time period, and they confirmed a similar evaluation process as described in the agreement.

Completed Evaluations

The district's Human Resources department provided master lists of employees evaluated by fiscal year. These lists are the basis of support for the total evaluation population for the audit period.

We reviewed the evaluation lists for each fiscal year to ensure that only eligible evaluations were counted for reimbursement. The program's 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 parameters and guidelines also allow reimbursement once per year for those 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	Allowable	Difference
2005-06	569	545	(24)
2006-07	636	616	(20)
2007-08	300	294	(6)
2010-11	374	366	(8)
2011-12	392	345	(47)
2012-13	425	408	(17)
Totals	<u>2,696</u>	<u>2,574</u>	<u>(122)</u>

We excluded 122 evaluations for the audit period for the following reasons:

- Certificated employees with non-instructional or unallowable job classifications (44);
- Teacher evaluations incorrectly listed as receiving an evaluation in a specific fiscal year (36);
- Teacher evaluations claimed multiple times in one school year (3); and
- Evaluations that we requested during testing, and which the district was unable to locate (39).

Section IV.A.1 of the parameters and guidelines states that the following activities are 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.

Section IV.A.2 of the parameters and guidelines states that the following activities are 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 2013-14, 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.

District's Response

First, the District has concern with the accuracy of the audit finding as it completely ignores all hard and written evidence presented to the State Controller's Office during the audit. The evidence supplied by FSUSD proves that the District incurred a high amount of costs for the activity of writing up the final evaluations for more than two thousand certificated employees, yet the audit disallows these costs entirely due to "unsupported costs". We would be interested to know what supported costs look like if written evidence is considered "insufficient."

Additionally, it appears the draft audit report is attempting to cloud this disallowance by grouping both the observation activities and the final write up activities into a single new category, which has never been brought before the Commission. Specifically, on page 8 of the draft audit report the two activities become one new activity listed as "evaluation activities." The claiming instructions list the two activities separately as a. and b. Please see below for the exact language from the claiming instructions:

"A. Certificated Instructional Employees"

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.*

It is unclear why the audit report combines the two activities, when the claiming instructions clearly list them as two separate activities. What is actually occurring is the auditors are allowing one hour for the observation (**activity a**) and zero hours for the final write up (**activity b**), which we assert is out of compliance with the State's claiming instructions and frankly, egregious and manipulative.

Furthermore, the District expended more than one hundred district-paid hours complying with the State's request to supply requested files for this audit. The District staff provided the State Controller's auditors with actual paper copies of hundreds of final evaluation write ups to support **both** the observation costs and the final write up costs separately. The State Controller's auditors reviewed each and every final write up, yet disallowed all costs for the final write ups stating these costs were "not supported." Again, we claim that the actual paper copies serve as complete and more than sufficient support for time spent.

In prior correspondence with the State Controller's auditors, the District has requested the auditors revisit this finding. To date, no response has been made by the auditors to the District, only the issuance of the final draft of the audit. To recap the District's original plea for a reasonable outcome to this audit I am enclosing several paragraphs from the March 2nd letter written to Audit Manager, Ken Howell, from Robert A. Martinez, Ed.D, Fairfield-Suisun's Assistant Superintendent of Human Resources:

*Regarding Finding #1, the District disagrees strongly with the SCO's finding that only time for observation is supported. Specifically, the SCO states "each evaluation shall be based on a minimum of 60 minutes of observational time for the evaluation period." This language was identical for every collective bargaining agreement in place for the audit period. The District interviewed staff members responsible for conducting evaluations during this time period, and they confirmed a similar evaluation process as listed in the agreement". It is of specific concern that it appears that **the SCO is not allowing any time for the final evaluation write up, although:***

- A. *The District provided copies of all the final write up reports requested during the SCO's visit as well as a listing of all employees who received a final write up and who were included in the original claims.*
- B. *Last spring the District asked all Administrators to vigorously record their time spent writing up final evaluations. The District was able to obtain a large amount of data showing an average write up time of 1.56 hours per final evaluation, which is in addition to (not included in) the 60 min observation time.*

For these reasons the District believes that the **finding that allows zero costs for the final write up is unreasonable, and unjustified.** The District respectfully requests the State Controller's Office recommend an allowable time increment for Administrators for writing up each final evaluation. Allowing **zero** time - **when the actual final write ups exist**- is entirely unfounded, without merit, and does not appear to demonstrate the true burden of time that exists for our Administrators in developing these evaluations.

Finally, the District reserves the right to file an Incorrect Reduction Claim any time within the allowable three years after the close of the audit, based on what Fairfield Suisun Unified School District believes to be unreasonable findings in this audit.

SCO Comment

Our finding and recommendation remain unchanged.

The district's assertion that we ignored all of the hard and written evidence during the audit is inaccurate. We requested contemporaneous documentation to support claimed costs for the audit period during the early stages of the engagement; we were told that no such documentation had been maintained by the district.

Section VI of the program's parameters and guidelines states:

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documentation used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

The parameters and guidelines adopted for the Stull Act program authorize claimants to request reimbursement for actual costs incurred, and require claimants to keep contemporaneous source documentation (documentation created at or near the same time the actual costs were incurred) to support the actual costs incurred to implement the mandate:

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.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

A review of the district's collective bargaining agreement found that teacher evaluations are based on at least two formal observations of at least 30 minutes in length (per observation). The district's collective bargaining agreement does not indicate a time component associated with writing up the final evaluation.

On September 27, 2017, the district provided an email (with an attached spreadsheet) documenting the time that it took various administrators to complete the "final F-3 evaluation" during the spring of 2017. After reviewing the document, we selected three site administrators to interview.

Each administrator indicated that the time entered on the spreadsheet was not the *actual* time to write up the final evaluation; rather, the time listed was an "approximate" or a "best guess." Therefore, we did not accept any of the time provided for writing up the final evaluations.

We disagree with the assertion that the SCO is attempting to "cloud" the disallowance related to the final write-up time by grouping observational activities and final write-up activities into a single category identified on the Schedule as "evaluation activities." If the district had retained all documentation used to support the reimbursable activities as required by the mandate, we would not have needed to use an alternative methodology for documenting allowable claimed costs.

The district also asserts that the hundreds of paper copies of evaluations provided (as requested as part of our testing sample) serve as sufficient support for "time spent." We disagree. Providing copies of evaluations for review for the audit period does not identify the actual time spent performing the reimbursable activities. The district did not provide contemporaneous time documentation to support the claimed costs at any time during this audit, and after reviewing the district's additional records related to the final evaluation write-up, we determined that those time increments were estimated, not actual.

While we agree that the district incurred *some* allowable costs for the audit period, the district was unable to provide the contemporaneous source documentation to support claimed costs, as required by the program's parameters and guidelines. As such, we used the district's own collective bargaining agreement to ascertain a time increment associated with the evaluation process. The district is required to spend at least 60 minutes providing observational activities for each evaluation, and that time increment was the basis for determining allowable costs for the audit period.

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



Fairfield-Suisun Unified School District

2490 Hilborn Road • Fairfield, California 94534 • Telephone (707) 399-5123
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"Fairfield-Suisun Unified School District is a premier learning community that empowers each student to thrive in an ever changing world."

April 19, 2018

Governing Board

David C. Isom
President

Judi Honeychurch
Vice President

Bethany Smith
Clerk

Joan Gaut
Jonathan Richardson
John Silva
Chris Wilson

Superintendent

Kris Corey

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State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Ms. Kurokawa,

Please consider this letter the official response from Fairfield-Suisun Unified School District regarding the Stull Act Program draft audit report issued on April 13, 2018 by your office.

First, the District has concern with the accuracy of the audit finding as it completely ignores all hard and written evidence presented to the State Controller's Office during the audit. The evidence supplied by FSUSD proves that the District incurred a high amount of costs for the activity of writing up the final evaluations for more than two thousand certificated employees, yet the audit disallows these costs entirely due to "unsupported costs". We would be interested to know what supported costs look like if written evidence is considered "insufficient."

Additionally, it appears the draft audit report is attempting to cloud this disallowance by grouping both the observation activities and the final write up activities into a single new category, which has never been brought before the Commission. Specifically, on page 8 of the draft audit report the two activities become one new activity listed as "evaluation activities." The claiming instructions list the two activities separately as **a.** and **b.** Please see below for the exact language from the claiming instructions:

"A. Certificated Instructional Employees "

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

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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.

It is unclear why the audit report combines the two activities, when the claiming instructions clearly list them as two separate activities. What is actually occurring is the auditors are allowing one hour for the observation (**activity a**) and zero hours for the final write up (**activity b**), which we assert is out of compliance with the State's claiming instructions and frankly, egregious and manipulative.

Furthermore, the District expended more than one hundred district-paid hours complying with the State's request to supply requested files for this audit. The District staff provided the State Controller's auditors with actual paper copies of hundreds of final evaluation write ups to support **both** the observation costs and the final write up costs separately. The State Controller's auditors reviewed each and every final write up, yet disallowed all costs for the final write ups stating these costs were "not supported." Again, we claim that the actual paper copies serve as complete and more than sufficient support for time spent.

In prior correspondence with the State Controller's auditors, the District has requested the auditors revisit this finding. To date, no response has been made by the auditors to the District, only the issuance of the final draft of the audit. To recap the District's original plea for a reasonable outcome to this audit I am enclosing several paragraphs from the March 2nd letter written to Audit Manager, Ken Howell, from Robert A. Martinez, Ed.D, Fairfield-Suisun's Assistant Superintendent of Human Resources:

*Regarding Finding #1, the District disagrees strongly with the SCO's finding that only time for observation is supported. Specifically, the SCO states "each evaluation shall be based on a minimum of 60 minutes of observational time for the evaluation period." This language was identical for every collective bargaining agreement in place for the audit period. The District interviewed staff members responsible for conducting evaluations during this time period, and they confirmed a similar evaluation process as listed in the agreement". It is of specific concern that it appears that **the SCO is not allowing any time for the final evaluation write up, although:***

- A. *The District provided copies of all the final write up reports requested during the SCO's visit as well as a listing of all employees who received a final write up and who were included in the original claims.*

- B. *Last spring the District asked all Administrators to vigorously record their time spent writing up final evaluations. The District was able to obtain a large amount of data showing an average write up time of 1.56 hours per final evaluation, which is in addition to (not included in) the 60 min observation time.*

For these reasons the District believes that the **finding that allows zero costs for the final write up is unreasonable, and unjustified.** The District respectfully requests the State Controller's Office recommend an allowable time increment for Administrators for writing up each final evaluation. Allowing **zero** time - **when the actual final write ups exist** — is entirely unfounded, without merit, and does not appear to demonstrate the true burden of time that exists for our Administrators in developing these evaluations.

Finally, the District reserves the right to file an Incorrect Reduction Claim any time within the allowable three years after the close of the audit, based on what Fairfield Suisun Unified School District believes to be unreasonable findings in this audit.

Thank you very much for your time and consideration of this important matter.



Michelle Henson
Assistant Superintendent, Business Services
Fairfield-Suisun Unified School District

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