

NEWPORT-MESA UNIFIED SCHOOL DISTRICT

Audit Report

STULL ACT PROGRAM

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

July 1, 1997, through June 30, 2011



JOHN CHIANG
California State Controller

October 2014



JOHN CHIANG
California State Controller

October 8, 2014

Karen Yelsey, President
Board of Education
Newport-Mesa Unified School District
2985 Bear Street
Costa Mesa, CA 92626

Dear Ms. Yelsey:

The State Controller's Office audited the costs claimed by Newport-Mesa Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1997, through June 30, 2011.

The district claimed \$3,615,252 for the mandated program. Our audit found that \$1,127,871 is allowable and \$2,487,381 is unallowable. The costs are unallowable primarily because the district claimed estimated and ineligible costs. The State paid the district \$174,306. Allowable costs claimed exceed the amount paid by \$953,565.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Frederick Navarro, Ed.D., Superintendent
Newport-Mesa Unified School District
Paul H. Reed, Deputy Superintendent, Chief Business Official
Newport-Mesa Unified School District
Jeffery Trader, Administrative Director, Fiscal Services
Newport-Mesa Unified School District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Newport-Mesa Unified School District for the legislatively mandated Stull Act Program (Chapter 498, Statutes of 1983; and Chapter 4, Statutes of 1999) for the period of July 1, 1997, through June 30, 2011.

The district claimed \$3,615,252 for the mandated program. Our audit found that \$1,127,871 is allowable and \$2,487,381 is unallowable. The costs are unallowable primarily because the district claimed estimated and ineligible costs. The State paid the district \$174,306. Allowable costs claimed exceed the amount paid by \$953,565.

Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-44665. The legislation provided reimbursement for specific activities related to evaluation and assessment of the performance of "certificated personnel" within each school district, except for those employed in local, discretionary educational programs.

On May 27, 2004, the Commission on State Mandates (Commission) determined that the legislation imposed a State mandate reimbursable under Government Code section 17514.

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

The Commission approved reimbursable activities as follows:

- Evaluate and assess the performance of certificated instructional employees 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).
- 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 toward the state-adopted academic content standards as measured by state-adopted assessment tests (Education Code section 44662(b) as amended by Chapter 4, Statutes of 1999).
- Assess and evaluate permanent certificated, instructional, and non-instructional employees 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).

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 1997, through June 30, 2011.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

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

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

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Newport-Mesa Unified School District claimed \$3,615,252 for costs of the Stull Act Program. Our audit found that \$1,127,871 is allowable and \$2,487,381 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$11,024. Our audit found that \$67,602 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$56,578, contingent upon available appropriations.

For the FY 1998-99 through 2007-08 claims, the State made no payment to the district. Our audit found that \$805,169 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$805,169, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$73,312. Our audit found that \$83,770 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$10,458, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$89,970. Our audit found that \$89,854 is allowable. The State will offset \$116 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2010-11 claim, the State made no payment to the district. Our audit found that \$81,476 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$81,476, contingent on available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on September 9, 2014. Julia Lammatao, Financial Analyst, responded by email on September 19, 2014, stating that the district has reviewed the draft audit report for the Stull Act Program and does not wish to provide any comments.

Restricted Use

This report is solely for the information and use of Newport-Mesa Unified School District, the Orange 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

October 8, 2014

**Schedule 1—
Summary of Program Costs
July 1, 1997, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 122,522	\$ 62,032	\$ (60,490)
Total direct costs	122,522	62,032	(60,490)
Indirect costs	11,002	5,570	(5,432)
Total program costs	<u>\$ 133,524</u>	67,602	<u>\$ (65,922)</u>
Less amount paid by state		(11,024)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 56,578</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 123,893	\$ 63,250	\$ (60,643)
Total direct costs	123,893	63,250	(60,643)
Indirect costs	7,706	3,934	(3,772)
Total program costs	<u>\$ 131,599</u>	67,184	<u>\$ (64,415)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,184</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 226,416	\$ 65,039	\$ (161,377)
Total direct costs	226,416	65,039	(161,377)
Indirect costs	7,381	2,120	(5,261)
Total program costs	<u>\$ 233,797</u>	67,159	<u>\$ (166,638)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,159</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 227,223	\$ 68,140	\$ (159,083)
Total direct costs	227,223	68,140	(159,083)
Indirect costs	16,951	5,083	(11,868)

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2000, through June 30, 2001 (continued)</u>			
Total program costs	\$ 244,174	73,223	\$ (170,951)
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 73,223	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 286,678	\$ 71,154	\$ (215,524)
Total direct costs	286,678	71,154	(215,524)
Indirect costs	13,445	3,337	(10,108)
Total program costs	\$ 300,123	74,491	\$ (225,632)
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 74,491	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 319,077	\$ 72,743	\$ (246,334)
Total direct costs	319,077	72,743	(246,334)
Indirect costs	14,295	3,259	(11,036)
Total program costs	\$ 333,372	76,002	\$ (257,370)
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 76,002	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 329,841	\$ 74,938	\$ (254,903)
Total direct costs	329,841	74,938	(254,903)
Indirect costs	17,515	3,979	(13,536)
Total program costs	\$ 347,356	78,917	\$ (268,439)
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 78,917	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 340,989	\$ 77,708	\$ (263,281)
Total direct costs	340,989	77,708	(263,281)
Indirect costs	16,674	3,800	(12,874)
Total program costs	<u>\$ 357,663</u>	81,508	<u>\$ (276,155)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,508</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 536,552	\$ 82,350	\$ (454,202)
Training	6,220	7,704	1,484
Total direct costs	542,772	90,054	(452,718)
Indirect costs	29,201	4,844	(24,357)
Total program costs	<u>\$ 571,973</u>	94,898	<u>\$ (477,075)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 94,898</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 323,707	\$ 86,837	\$ (236,870)
Training	12,559	4,155	(8,404)
Total direct costs	336,266	90,992	(245,274)
Indirect costs	19,436	5,259	(14,177)
Total program costs	<u>\$ 355,702</u>	96,251	<u>\$ (259,451)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 96,251</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 335,862	\$ 91,150	\$ (244,712)
Training	1,725	800	(925)
Total direct costs	337,587	91,950	(245,637)
Indirect costs	13,166	3,586	(9,580)

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2007, through June 30, 2008 (continued)</u>			
Total program costs	\$ 350,753	95,536	\$ (255,217)
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 95,536	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 79,933	\$ 95,980	\$ 16,047
Total direct costs	79,933	95,980	16,047
Indirect costs	3,837	4,607	770
Total direct and indirect costs	83,770	100,587	16,817
Less allowable costs that exceed costs claimed ²	—	(16,817)	(16,817)
Total program costs	\$ 83,770	83,770	\$ —
Less amount paid by state		(73,312)	
Allowable costs claimed in excess of (less than) amount paid		\$ 10,458	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 87,689	\$ 87,791	\$ 102
Training	215	—	(215)
Total direct costs	87,904	87,791	(113)
Indirect costs	2,066	2,063	(3)
Total program costs	\$ 89,970	89,854	\$ (116)
Less amount paid by state		(89,970)	
Allowable costs claimed in excess of (less than) amount paid		\$ (116)	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 78,842	\$ 84,127	\$ 5,285
Training	108	—	(108)
Total direct costs	78,950	84,127	5,177
Indirect costs	2,526	2,692	166
Total direct and indirect costs	81,476	86,819	5,343
Less allowable costs that exceed costs claimed ²	—	(5,343)	(5,343)
Total program costs	\$ 81,476	81,476	\$ —
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 81,476	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>Summary: July 1, 1997, through June 30, 2011</u>			
Direct costs			
Salaries and benefits			
Evaluation activities	\$ 3,419,224	\$ 1,083,239	\$ (2,335,985)
Training	20,827	12,659	(8,168)
Total direct costs	3,440,051	1,095,898	(2,344,153)
Indirect costs	175,201	54,133	(121,068)
Total direct and indirect costs	3,615,252	1,150,031	(2,465,221)
Less allowable costs that exceed costs claimed ²	—	(22,160)	(22,160)
Total program costs	<u>\$ 3,615,252</u>	1,127,871	<u>\$ (2,487,381)</u>
Less amount paid by state		(174,306)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 953,565</u>	

¹ See the Finding and Recommendation section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2008-09 and 2010-11.

Finding and Recommendation

FINDING— Overstated salaries and benefits and related indirect costs

The district claimed \$3,440,051 in salaries and benefits and \$175,201 in related indirect costs for the audit period. We found that \$2,344,153 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement estimated and ineligible costs (\$2,335,985) and training costs (\$8,168). Related indirect costs totaled \$121,068.

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

Fiscal Year	Salaries and Benefits				Total Audit Adjustment [(C)+(D)]
	(A) Claimed	(B) Allowable	(C) Adjustment [(B)-(A)]	(D) Indirect Costs Adjustment	
1997-98	\$ 122,522	\$ 62,032	\$ (60,490)	\$ (5,432)	\$ (65,922)
1998-99	123,893	63,250	(60,643)	(3,772)	(64,415)
1999-2000	226,416	65,039	(161,377)	(5,261)	(166,638)
2000-01	227,223	68,140	(159,083)	(11,868)	(170,951)
2001-02	286,678	71,154	(215,524)	(10,108)	(225,632)
2002-03	319,077	72,743	(246,334)	(11,036)	(257,370)
2003-04	329,841	74,938	(254,903)	(13,536)	(268,439)
2004-05	340,989	77,708	(263,281)	(12,874)	(276,155)
2005-06	542,772	90,054	(452,718)	(24,357)	(477,075)
2006-07	336,266	90,992	(245,274)	(14,177)	(259,451)
2007-08	337,587	91,950	(245,637)	(9,580)	(255,217)
2008-09	79,933	95,980	16,047	770	16,817
2009-10	87,904	87,791	(113)	(3)	(116)
2010-11	78,950	84,127	5,177	166	5,343
	<u>\$ 3,440,051</u>	<u>\$ 1,095,898</u>	<u>\$ (2,344,153)</u>	<u>\$ (121,068)</u>	<u>\$ (2,465,221)</u>

Time Log Activities

The time logs determined the time it took district evaluators to perform four activities within the teacher evaluation process. The district evaluated permanent, probationary, and temporary certificated instructional teachers. The time log results reported time for the following activities that are reimbursable under the program's parameters and guidelines:

- Evaluate the teacher's instructional techniques/strategies and adherence to curricular objectives.
- Write the evaluation of the instructional techniques/strategies and adherence to curricular objectives.
- Review the results of the STAR test as it relates to the teacher's performance of teaching reading, writing, math, history/social science, or science in grades 2-11.
- Write the evaluation of the teacher's performance based on the STAR results for the pupils they teach.

We confirmed with district staff that two of the four activities the district identified in its time logs have never been performed by district evaluators. Both activities are related to reviewing the results of the STAR test, and writing the evaluation of the teacher's performance based on the STAR results. As such, any time calculated for these two components have not been counted in the overall average.

We reviewed the contemporaneous time records for fiscal year (FY) 2008-09, FY 2009-10, and FY 2010-11. The time logs show that district evaluators spent an average of 2.07 hours to complete an evaluation in FY 2008-09; an average of 1.91 hours to complete an evaluation in FY 2009-10; and an average of 2.12 hours to complete an evaluation in FY 2010-11.

Completed Evaluations

The district kept track of completed evaluations in each employee's personnel file, but they could not provide a summary of completed evaluations for the audit period. The district downloaded information from HR 2.0 (BiTech Systems) which listed teachers due to be evaluated in a given fiscal year. Using HR 2.0, the district was able to compile a list of completed evaluations from FY 2008-09 to FY 2010-11.

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

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

Fiscal Year	Number of Completed Evaluations		
	District- Provided	Audited	Difference
2008-09	515	489	(26)
2009-10	574	477	(97)
2010-11	451	407	(44)
Totals	1,540	1,373	(167)

The non-reimbursable evaluations included the following:

- Librarians, directors, and Teacher on Special Assignment (TOSA) staff who are not certificated instructional employees;
- Pre-Kindergarten, hourly, and substitute teachers who do not perform the requirements of the program that is mandated by state or federal law;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent biannual teacher evaluations claimed every year rather than every other year;

- Permanent five-year teacher evaluations claimed multiple times in a five-year period rather than once every five years; and
- Evaluations unable to be located while conducting sample testing during fieldwork.

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for evaluation activities from FY 2008-09 through FY 2010-11, we multiplied the number of allowable evaluations by allowable hours per evaluation and claimed PHRs.

For the remaining years, we used the data for FY 2008-09 as the base year. We applied an implicit price deflator to total allowable evaluation activities costs in FY 2008-09 to determine allowable evaluation activities costs for FY 1997-98 through FY 2007-08.

The following table summarizes allowable evaluation costs by fiscal year.

Fiscal Year	Evaluation activities		
	Claimed	Allowable	Audit Adjustment
1997-98	\$ 122,522	\$ 62,032	\$ (60,490)
1998-99	123,893	63,250	(60,643)
1999-2000	226,416	65,039	(161,377)
2000-01	227,223	68,140	(159,083)
2001-02	286,678	71,154	(215,524)
2002-03	319,077	72,743	(246,334)
2003-04	329,841	74,938	(254,903)
2004-05	340,989	77,708	(263,281)
2005-06	536,552	82,350	(454,202)
2006-07	323,707	86,837	(236,870)
2007-08	335,862	91,150	(244,712)
2008-09	79,933	95,980	16,047
2009-10	87,689	87,791	102
2010-11	78,842	84,127	5,285
Total	<u>\$ 3,419,224</u>	<u>\$ 1,083,239</u>	<u>\$ (2,335,985)</u>

We then applied the applicable indirect cost rates to allowable evaluation activities to calculate allowable indirect costs of \$53,448 for this component.

Calculation of Allowable Training Costs

The district claimed training hours from FY 2005-06 through FY 2010-11 (excluding FY 2008-09), totaling \$20,827 for the audit period. We found that \$12,659 in training costs is reimbursable under the mandate and \$8,168 is not reimbursable. The primary reason for the non-reimbursable costs was insufficient supporting documentation. The district did not provide sufficient documentation to support the costs related to the one-time activity of training staff on the implementation of the reimbursable activities listed in the parameters and guidelines.

The following table summarizes claimed, allowable, and unallowable salaries and benefits related to training costs by fiscal year using the claimed PHRs:

Fiscal Year	Training		Audit
	Claimed	Allowable	Adjustment
2005-06	\$ 6,220	\$ 7,704	\$ 1,484
2006-07	12,559	4,155	(8,404)
2007-08	1,725	800	(925)
2009-10	215	-	(215)
2010-11	108	-	(108)
Total	<u>\$ 20,827</u>	<u>\$ 12,659</u>	<u>\$ (8,168)</u>

We applied the applicable indirect cost rates to allowable training costs to calculate allowable indirect costs of \$685 for this component.

The parameters and guidelines (section IV.A.1) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that perform the requirements of educational programs mandated by state or federal law as it reasonably relates to the instructional techniques and strategies used by the employee and the employee’s adherence to curricular objectives.

Reimbursement for this activity is limited to:

- a. Reviewing the employee’s instructional techniques and strategies and adherence to curricular objectives, and
- b. Including in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:
 - 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.

The parameters and guidelines (section IV.A.2) state that the following is reimbursable:

Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests.

Reimbursement for this activity is limited to:

- a. Reviewing the results of the Standardized Testing and Reporting

test as it reasonably relates to the performance of those certificated employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and

- b. Including in the written evaluation of those certificated employees the assessment of the employee's performance based on the Standardized Testing and Reporting results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:
 - 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.

The parameters and guidelines (section IV.C—Training) state that the district may train staff on implementing the reimbursable activities listed in Section IV of the parameters and guidelines. (One-time activity for each employee.)

The parameters and guidelines (section IV—Reimbursable Activities) also state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs are based on actual costs, are for activities reimbursable under the program's parameters and guidelines, and are supported by contemporaneous source documentation.

**State Controller's Office
Division of Audits
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