

STOCKTON UNIFIED SCHOOL DISTRICT

Audit Report

STULL ACT PROGRAM

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

*July 1, 2006, through June 30, 2008;
and July 1, 2010, through June 30, 2012*



BETTY T. YEE
California State Controller

October 2016



BETTY T. YEE
California State Controller

October 3, 2016

Kathleen Garcia, President, Board of Education
Stockton Unified School District
701 N. Madison Street
Stockton, CA 95202

Dear Ms. Garcia:

The State Controller's Office audited the costs claimed by Stockton 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, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$760,839 for the mandated program. Our audit found that \$545,794 is allowable, and \$215,045 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$545,794, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Eliseo Dávalos, Ph.D., Superintendent
Stockton Unified School District
Lisa Grant-Dawson, Chief Business Official
Stockton Unified School District
Gene Wyllie, Principal Auditor
Stockton Unified School District
K.T. Yorba, Division Director
District Business Services
San Joaquin County Office of Education
Peter Foggiato, 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
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials.....	3
Restricted Use	3
Schedule—Summary of Program Costs	4
Finding and Recommendation	6

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Stockton 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, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The district claimed \$760,839 for the mandated program. Our audit found that \$545,794 is allowable, and \$215,045 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for ineligible and unsupported costs. The State made no payments to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$545,794, contingent upon available appropriations.

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 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 this performance audit to determine whether costs claimed represent increased costs resulting from the Stull Act Program for the period of July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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.

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

- Reviewed annual claims filed with SCO to identify any mathematical errors and performed analytical procedures to determine any unusual or unexpected variances from year-to-year
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained
- Assessed whether computer-processed data provided by the district to support claimed costs was complete and accurate and could be relied upon
- Traced listings of employees evaluated and assessed the reimbursability of such employees
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system

Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. 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, Stockton Unified School District claimed \$760,839 for costs of the Stull Act Program. Our audit found that \$545,794 is allowable and \$215,045 is unallowable.

The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$545,794, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on August 22, 2016. Lisa Grant-Dawson, Chief Business Official; and Eugene R. Wyllie, CPA, Principal Auditor, did not dispute the audit results. Ms. Grant-Dawson 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 the Stockton Unified School District, the San Joaquin 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 3, 2016

Schedule—
Summary of Program Costs
July 1, 2006, through June 30, 2008;
and July 1, 2010, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 179,281	\$ 111,762	\$ (67,519)
Training	-	-	-
Total direct costs	179,281	111,762	(67,519)
Indirect costs	5,683	3,543	(2,140)
Total program costs	<u>\$ 184,964</u>	115,305	<u>\$ (69,659)</u>
Less amount paid by State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 115,305</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 248,938	\$ 151,912	\$ (97,026)
Training	1,074	1,074	-
Total direct costs	250,012	152,986	(97,026)
Indirect costs	10,551	6,456	(4,095)
Total program costs	<u>\$ 260,563</u>	159,442	<u>\$ (101,121)</u>
Less amount paid by State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 159,442</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 137,962	\$ 118,384	\$ (19,578)
Training	382	382	-
Total direct costs	138,344	118,766	(19,578)
Indirect costs	5,050	4,336	(714)
Total program costs	<u>\$ 143,394</u>	123,102	<u>\$ (20,292)</u>
Less amount paid by State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 123,102</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 164,096	\$ 141,144	\$ (22,952)
Training	498	498	-
Total direct costs	164,594	141,642	(22,952)
Indirect costs	7,324	6,303	(1,021)
Total program costs	<u>\$ 171,918</u>	147,945	<u>\$ (23,973)</u>
Less amount paid by State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 147,945</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>Summary: July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 730,277	\$ 523,202	\$ (207,075)
Training	1,954	1,954	-
Total direct costs	732,231	525,156	(207,075)
Indirect costs	28,608	20,638	(7,970)
Total program costs	760,839	545,794	(215,045)
Less amount paid by State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ 545,794	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Overstated salaries and benefits and related indirect costs

The district claimed \$732,231 in salaries and benefits and \$28,608 in related indirect costs for the audit period. We found that \$207,075 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs. Related indirect costs totaled \$7,970.

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	
2006-07	\$ 179,281	\$ 111,762	\$ (67,519)	\$ (2,140)	\$ (69,659)
2007-08	250,012	152,986	(97,026)	(4,095)	(101,121)
2010-11	138,344	118,766	(19,578)	(714)	(20,292)
2011-12	164,594	141,642	(22,952)	(1,021)	(23,973)
	<u>\$ 732,231</u>	<u>\$ 525,156</u>	<u>\$ (207,075)</u>	<u>\$ (7,970)</u>	<u>\$ (215,045)</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 Standardized Testing and Reporting (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 listed for these two components will not be considered.

We reviewed the contemporaneous time logs for fiscal year (FY) 2006-07, FY 2007-08, FY 2010-11, and FY 2011-12. For the first two years of the audit period (FY 2006-07 and 2007-08), the district was unable to provide a master listing of certificated employees evaluated by year. However, the time logs provided sufficient detail to compile a listing of those certificated employees evaluated for both FY 2006-07 and 2007-08, and the time associated with those evaluations was applied to each line item individually. For FY 2010-11 and 2011-12, the district maintained a master listing of certificated employees evaluated for each year. As such, time that could be cross-referenced to supporting time logs was applied to each line item individually. However, the lists also contained many other employees that were not listed on the time logs. We used average time allotments, by job status, and applied those averages to the allowable evaluations that did not have corresponding time logs. The averages used are listed below (in hours):

FY 2010-11

- Permanent – 2.80
- Probationary – 3.40
- Temporary – 3.58
- Unsatisfactory – 1.34

FY 2011-12

- Permanent – 2.95
- Probationary – 3.33
- Temporary – 1.75
- Unsatisfactory – 2.10

Completed Evaluations

For FY 2010-11 and 2011-12, the district's human resources department maintained a master list of employees evaluated. However, for FY 2006-07 and 2007-08, no such master list existed. These lists were compiled using the time logs provided as support for the reimbursable components of the mandate. Collectively, this data was the basis of support for the total evaluation population for the audit period.

We reviewed the completed teacher evaluation listings 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
2006-07	741	599	(142)
2007-08	969	793	(176)
2010-11	858	629	(229)
2011-12	1024	716	(308)
Totals	<u>3,592</u>	<u>2,737</u>	<u>(855)</u>

The non-reimbursable evaluations included the following:

- Principals, assistant principals, directors, counselors, specialists, and administrators, who are not certificated instructional employees;
- Non-special education preschool, adult education, and Reserve Officers' Training Corps (ROTC) teachers who do not perform requirements of programs mandated by state or federal law;
- Charter school teacher evaluations;
- Duplicate teacher evaluations claimed multiple times in one school year;
- Permanent certificated biannual teacher evaluations claimed every year rather than every other year; and
- Evaluations requested during testing that were unable to be located by the district.

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for "evaluation activities" for the audit period, we multiplied the allowable time for each evaluation by the claimed productive hourly rate for each evaluator performing the program's reimbursable activities.

The following table summarizes allowable evaluation costs by fiscal year.

Fiscal Year	Evaluation activities		
	Claimed	Allowable	Audit Adjustment
2006-07	179,281	111,762	(67,519)
2007-08	250,012	152,986	(97,026)
2010-11	138,344	118,766	(19,578)
2011-12	164,594	141,642	(22,952)
Total	<u>\$ 732,231</u>	<u>\$ 525,156</u>	<u>\$ (207,075)</u>

We then applied the applicable indirect cost rates to allowable evaluation activities to calculate allowable indirect costs of \$20,638 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
Post Office Box 942850
Sacramento, CA 94250-5874**

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