

# **POWAY UNIFIED SCHOOL DISTRICT**

Audit Report

## **THE STULL ACT PROGRAM**

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

*July 1, 2011, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

December 2018



**BETTY T. YEE**  
California State Controller

December 18, 2018

Marian Kim-Phelps, Ed.D., Superintendent  
Poway Unified School District  
15250 Avenue of Science  
San Diego, CA 92128

Dear Dr. Kim-Phelps:

The State Controller's Office (SCO) audited the costs claimed by Poway Unified School District for the legislatively mandated The Stull Act Program for the period of July 1, 2011, through June 30, 2012.

The district claimed \$259,696 for the mandated program. Our audit found that \$43,003 is allowable and \$216,693 is unallowable primarily because the district claimed reimbursement for non-mandate-related activities. The State made no payments to the district. The State will pay \$43,003, contingent upon available appropriations. Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claim via a system-generated letter.

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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/as

cc: Ronald Little, Associate Superintendent, Business Support Services  
Poway Unified School District  
James Jimenez, Associate Superintendent, Personnel Support Services  
Poway Unified School District  
Joy Ramiro, Director, Finance  
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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Poway Unified School District for the legislatively mandated The Stull Act Program for the period of July 1, 2011, through June 30, 2012.

The district claimed \$259,696 for the mandated program. Our audit found that \$43,003 is allowable and \$216,693 is unallowable primarily because the district claimed reimbursement for non-mandate-related activities. The State made no payments to the district. The State will pay \$43,003, contingent upon available appropriations.

## Background

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

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

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

The Commission-approved reimbursable activities are as follows:

- Evaluating and assessing the performance of certificated instructional employees related to the instructional techniques and strategies used by the employee, and the employee's adherence to curricular objectives (California Education Code section 44662(b), as amended by Chapter 498, Statutes of 1983);
- Evaluating and assessing the performance of certificated instructional employees who teach reading, writing, mathematics, history/social science, and science in grades 2 through 11 related to the progress of pupils toward the state adopted academic content standards as measured by state adopted assessment tests (California Education Code section 44662(b), as amended by Chapter 4, Statutes of 1999); and
- Assessing and evaluating permanent certificated, instructional, and non-instructional employees who perform the requirements of educational programs mandated by state or federal law and receive an unsatisfactory evaluation in the years in which the permanent certificated employee would not have otherwise been evaluated pursuant to California Education Code section 44664. The additional evaluations shall last until the employee achieves a positive evaluation, or is separated from the school district (California Education Code section 44664, as amended by Chapter 498, Statutes of 1983).

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

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated the Stull Act Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was July 1, 2011, through June 30, 2012.

To achieve our objective, we:

- Reviewed the annual mandated cost claims filed by the district for the audit period and identified the material cost components of each claim as salaries and benefits, and indirect costs. Determined whether there were any errors or any unusual or unexpected variances from year to year. Reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key district staff, and discussed the claim preparation process with district staff to determine what information was obtained, who obtained it, and how it was used;
- Requested time documentation to support the salary and benefits costs claimed for fiscal year (FY) 2011-12. The district maintained contemporaneous time documents for the audited year. Using those time records, we determined the allowable activities claimed by the district and allowed only the time increments for those activities;
- After scheduling the time logs for FY 2011-12, the resulting list provided an overall population from which to select a sample to test. Using a random-number generator, we randomly selected a non-statistical sample and tested 55 evaluations (out of 209). We identified eight ineligible evaluations in the sample that were not projected to the intended population;
- Traced all employees' claimed productive hourly rates (PHRs) to supporting documentation from the district's payroll system for FY 2011-12. Based on the results of our review, we determined that the average PHR used by the district for FY 2011-12 appears reasonable and supported by appropriate documentation;
- Reviewed all claimed training costs for the audit period. Due to the immaterial nature of the training costs, we allowed the costs as claimed;
- Compared the claimed indirect cost rate to the rate allowed by the California Department of Education. We noted no errors; therefore, we accepted the rate as claimed; and
- Reviewed potential sources of offsetting revenues/reimbursements for the audit period. We inquired with district staff and reviewed the single audit reports (with accompanying financial statements) for other sources of funding.

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

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

## **Conclusion**

Our audit found an instance of noncompliance with the requirements outlined in the Objective, Scope, and Methodology section. We found that the district did not claim costs that were funded by another source; however, it did claim ineligible costs, as quantified in the accompanying Schedule and described in the Finding and Recommendation section of this report.

For the audit period, Poway Unified School District claimed \$259,696 for costs of the legislatively mandated The Stull Act Program. Our audit found that \$43,003 is allowable and \$216,693 is unallowable. The State made no payments to the district. The State will pay \$43,003 contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the district of the adjustment to its claim via a system-generated letter.

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

The district has not resolved the finding noted in our prior audit report for the period of July 1, 1997, through June 30, 2011, issued August 20, 2014, as described in the Finding and Recommendation section.

## **Views of Responsible Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on November 1, 2018. Joy Ramiro, Director of Finance, and Joe Tarantino, Assistant Director of Finance, neither agreed nor disagreed with the audit results. Mr. Tarantino 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 Poway Unified School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

December 18, 2018



**Schedule—**  
**Summary of Program Costs**  
**July 1, 2011, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2011 through June 30, 2012</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 245,252	\$ 40,264	\$ (204,988)
Training activities	416	416	-
Total direct costs	245,668	40,680	(204,988)
Indirect costs	14,028	2,323	(11,705)
Total program costs	<u>\$ 259,696</u>	43,003	<u>\$ (216,693)</u>
Less amount paid by the State <sup>2</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 43,003</u>	

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

<sup>2</sup> Payment amount current as of October 25, 2018.

# Finding and Recommendation

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

The district claimed \$245,668 in salaries and benefits for the audit period. During testing of these salaries and benefits, we found that \$40,680 is allowable and \$204,988 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities of the teacher evaluation process. The error occurred because the district misinterpreted the program's parameters and guidelines, which narrowly define the reimbursable activities, and claimed many additional activities outside of the scope of the mandate. Unallowable related indirect costs total \$11,705, for a total audit finding of \$216,693.

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

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

Direct Costs	Salaries and Benefits			Related Indirect Costs		Total
	Amount Claimed	Amount Allowable	Audit Adjustment	Indirect Cost Rate	Indirect Cost Adjustment	Audit Adjustment
Evaluation activities	\$ 245,252	\$40,264	\$(204,988)	5.71%	\$ (11,705)	\$(216,693)
Training	416	416	-	5.71%	-	-
<b>Total</b>	<b>\$ 245,668</b>	<b>\$40,680</b>	<b>\$(204,988)</b>		<b>\$ (11,705)</b>	<b>\$(216,693)</b>

## Time Log Activities

The district's time logs recorded the time district evaluators spent performing 11 activities within the teacher evaluation process. The district evaluated permanent, probationary, and temporary certificated instructional teachers. The time log results reported time for meetings, observations, report writing, and other activities within the evaluation process.

Six of the 11 activities the district identified in its time logs are not reimbursable under the mandate. The six non-reimbursable activities include:

- Conducting a certificated planning conference with the certificated staff members 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 mid-year evaluation conference with the temporary or probationary certificated staff members;
- Conducting a final evaluation conference with the certificated staff member; and

- Discussing Standardized Testing and Reporting (STAR) results and how to improve instructional abilities with the certificated staff member.

The program's parameters and guidelines do not allow conferences (pre-, post-, and final observation conferences) between the evaluators and teachers, as conferences were already required before the enactment of the test claim legislation. Therefore, these activities do not impose a new program or higher level of service.

The parameters and guidelines do not allow reimbursement for discussing STAR results, as this activity is not listed as a reimbursable activity in the parameters and guidelines.

The district's time logs identified an activity as "Receiving training, inside or outside the district on evaluating certificated staff." We did not allow reimbursement for this component on the time logs, as the district separately identified training costs on its claim.

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

- Classroom observations;
- Completing a certificated observation form;
- Writing the mid-year evaluation report (temporary or probationary staff member only); and
- Writing the final evaluation report.

Upon initiation of the audit, we requested supporting documentation for the claimed costs. The district was able to provide contemporaneous time records for FY 2011-12. Using this information, we matched each evaluated employee and the corresponding time associated with the four allowable activities. To arrive at allowable salaries and benefits for evaluation activities, we multiplied the allowable time for each evaluation by the claimed PHR.

### **Completed Evaluations**

For FY 2011-12, we compiled a list of certificated employees evaluated using the time logs as support for the reimbursable components of the mandate. Collectively, this data was the basis of support for the total evaluated population for FY 2011-12.

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

- Teacher evaluations claimed multiple times in one school year (6); and
- Evaluations that were not certificated instructional employees (e.g. counselors and psychologists) (2).

For the remaining evaluations, totaling 209, we randomly selected a non-statistical sample and tested 55 evaluations; we found that eight are ineligible. The district was unable to locate the requested eight evaluations.

The following table summarizes our audit results:

Fiscal Year	Evaluations Documented in the Time Logs	Evaluations Not Eligible for Reimbursement	Pre-tested Population	Ineligible Tested Evaluations	Allowable Number of Evaluations
2011-12	217	(8)	209	(8)	201

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. (Ed. Code, § 44662, subd. (b), as amended by Stats. 1983, ch. 498.)

Reimbursement for this activity is limited to the review of the employee’s instructional techniques and strategies and adherence to curricular objectives, and to include in the written evaluation of the certificated instructional employees the assessment of these factors during the following evaluation periods:

- Once each year for probationary certificated employees;
- Every other year for permanent certificated employees; and
- Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified (as defined in 20 U.S.C. § 7801), and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

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

- Evaluate and assess the performance of certificated instructional employees that teach reading, writing, mathematics, history/social science, and science in grades 2 to 11 as it reasonably relates to the progress of pupils towards the state adopted academic content standards as measured by state adopted assessment tests. (Ed. Code, § 44662, subd. (b), as amended by Stats. 1999, ch. 4.)

Reimbursement for this activity is limited to the review of the results of the STAR 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 to include in the written evaluation of those certificated employees the assessment of the employee’s performance based on the STAR results for the pupils they teach during the evaluation periods specified in Education Code section 44664, and described below:

- Once each year for probationary certificated employees;
- Every other year for permanent certificated employees; and

- Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified (as defined in 20 U.S.C. § 7801), and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

Section IV. of the parameters and guidelines states:

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

#### Recommendation

Commencing in FY 2012-13, 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 parameters guidelines when preparing its mandated cost claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by contemporaneous source documentation.

**State Controller's Office  
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