

OCEANSIDE UNIFIED SCHOOL DISTRICT

Audit Report

THE STULL ACT PROGRAM

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

July 1, 1997, through June 30, 2008



JOHN CHIANG
California State Controller

August 2011



JOHN CHIANG
California State Controller

August 24, 2011

Lillian Adams
President, Board of Education
Oceanside Unified School District
2111 Mission Avenue
Oceanside, CA 92058

Dear Ms. Adams:

The State Controller's Office audited the costs claimed by Oceanside 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, 2008.

The district claimed \$1,286,956 for the mandated program. Our audit disclosed that \$16,536 is allowable and \$1,270,420 is unallowable. The costs are unallowable because the district did not support claimed costs with source documents. The State paid the district \$411,733. The amount paid exceed allowable costs claimed by \$395,197.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Larry Perondi, Superintendent
Oceanside Unified School District
Luis Ibarra, Ed.D
Associate Superintendent for Business Services
Oceanside Unified School District
Shelly Morr
Associate Superintendent for Human Resources
Oceanside Unified School District
Karen Huddleston, Controller
Oceanside Unified School District
San Diego County Superintendent of Schools
San Diego County Office of Education
Scott Hannan, Director
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Oceanside 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, 2008.

The district claimed \$1,286,956 for the mandated program. Our audit disclosed that \$16,536 is allowable and \$1,270,420 is unallowable. The costs are unallowable because the district did not support claimed costs with source documents. The State paid the district \$411,733. The amount paid exceed allowable costs claimed by \$395,197.

Background

Chapter 498, Statutes of 1983, and Chapter 4, Statutes of 1999, added Education Code sections 44660-44665. The legislation provided specific reimbursement 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.

The following activities are reimbursable:

- Evaluating and assessing the performance of certificated instructional employees who perform the requirements of educational programs mandated by state or federal law for evaluations that reasonably relate to the instructional techniques and strategies used by the employee, as well as the employee's adherence to curricular objectives.
- Evaluating and assessing the performance of certificated instructional employees who teach reading, writing, mathematics, history/social sciences, and science in grades 2 through 11 for evaluations that reasonably relate to the progress of pupils toward the state-adopted academic content standards as measured by state-adopted assessment tests.
- 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 last until the employee achieves a positive evaluation or is separated from the school district.

On May 27, 2004, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM 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.

**Objective, 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, 2008.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the 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.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Oceanside Unified School District claimed \$1,286,956 for costs of the Stull Act Program. Our audit disclosed that \$16,536 is allowable and \$1,270,420 is unallowable.

The State paid the district \$411,733. Our audit disclosed that \$16,536 is allowable. The State will offset \$395,197 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on February 9, 2011. Karen Huddleston, Controller, responded by letter dated March 22, 2011 (Attachment), 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 Oceanside 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 report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

August 24, 2011

**Schedule 1—
Summary of Program Costs
July 1, 1997, through June 30, 2008**

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment |
|---|-------------------------|------------------------|---------------------|
| <u>July 1, 1997, through June 30, 1998</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review certificated instructional employees' (CIE) techniques and strategies | \$ 25,860 | \$ — | \$ (25,860) |
| Evaluation to include assessment of CIEs' techniques and strategies | 25,859 | — | (25,859) |
| Total salaries and benefits | 51,719 | — | (51,719) |
| Indirect costs | 2,586 | — | (2,586) |
| Total program costs | <u>\$ 54,305</u> | — | <u>\$ (54,305)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |
| <u>July 1, 1998, through June 30, 1999</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 35,551 | \$ — | \$ (35,551) |
| Evaluation to include assessment of CIEs' techniques and strategies | 35,550 | — | (35,550) |
| Total salaries and benefits | 71,101 | — | (71,101) |
| Indirect costs | 3,555 | — | (3,555) |
| Total program costs | <u>\$ 74,656</u> | — | <u>\$ (74,656)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |
| <u>July 1, 1999, through June 30, 2000</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 50,227 | \$ — | \$ (50,227) |
| Evaluation to include assessment of CIEs' techniques and strategies | 50,227 | — | (50,227) |
| Total salaries and benefits | 100,454 | — | (100,454) |
| Indirect costs | 5,023 | — | (5,023) |
| Total program costs | <u>\$ 105,477</u> | — | <u>\$ (105,477)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment |
|---|-------------------------|------------------------|---------------------|
| <u>July 1, 2000, through June 30, 2001</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 70,837 | \$ — | \$ (70,837) |
| Evaluation to include assessment of CIEs' techniques and strategies | 70,837 | — | (70,837) |
| Total salaries and benefits | 141,674 | — | (141,674) |
| Indirect costs | 6,418 | — | (6,418) |
| Total program costs | <u>\$ 148,092</u> | — | <u>\$ (148,092)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |
| <u>July 1, 2001, through June 30, 2002</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 97,069 | \$ — | \$ (97,069) |
| Evaluation to include assessment of CIEs' techniques and strategies | 97,068 | — | (97,068) |
| Total salaries and benefits | 194,137 | — | (194,137) |
| Indirect costs | 9,590 | — | (9,590) |
| Total program costs | <u>\$ 203,727</u> | — | <u>\$ (203,727)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |
| <u>July 1, 2002, through June 30, 2003</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 98,937 | \$ — | \$ (98,937) |
| Evaluation to include assessment of CIEs' techniques and strategies | 98,936 | — | (98,936) |
| Total salaries and benefits | 197,873 | — | (197,873) |
| Indirect costs | 10,012 | — | (10,012) |
| Total program costs | <u>\$ 207,885</u> | — | <u>\$ (207,885)</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ —</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment |
|---|-------------------------|------------------------|---------------------|
| <u>July 1, 2003, through June 30, 2004</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 110,625 | \$ — | \$ (110,625) |
| Evaluation to include assessment of CIEs' techniques and strategies | 110,624 | — | (110,624) |
| Total salaries and benefits | 221,249 | — | (221,249) |
| Indirect costs | 9,182 | — | (9,182) |
| Total program costs | <u>\$ 230,431</u> | — | <u>\$ (230,431)</u> |
| Less amount paid by the State | | 165,886 | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (165,886)</u> | |
| <u>July 1, 2004, through June 30, 2005</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 117,596 | \$ — | \$ (117,596) |
| Evaluation to include assessment of CIEs' techniques and strategies | 117,597 | — | (117,597) |
| Total salaries and benefits | 235,193 | — | (235,193) |
| Indirect costs | 10,654 | — | (10,654) |
| Total program costs | <u>\$ 245,847</u> | — | <u>\$ (245,847)</u> |
| Less amount paid by the State | | 245,847 | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (245,847)</u> | |
| <u>July 1, 2006, through June 30, 2007</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 6,788 | \$ 5,772 | \$ (1,016) |
| Evaluation to include assessment of CIEs' techniques and strategies | — | 4,193 | 4,193 |
| Total salaries and benefits | 6,788 | 9,965 | 3,177 |
| Indirect costs | 293 | 430 | 137 |
| Total direct and indirect costs | 7,081 | 10,395 | 3,314 |
| Less allowable costs that exceed claimed costs ² | — | (3,314) | (3,314) |
| Total program costs | <u>\$ 7,081</u> | 7,081 | <u>\$ —</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 7,081</u> | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment |
|---|-------------------------|---------------------------------|-----------------------|
| <u>July 1, 2007, through June 30, 2008</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 9,161 | \$ 6,371 | \$ (2,790) |
| Evaluation to include assessment of CIEs' techniques and strategies | — | 4,263 | 4,263 |
| Total salaries and benefits | 9,161 | 10,634 | 1,473 |
| Indirect costs | 294 | 341 | 47 |
| Total direct and indirect costs | 9,455 | 10,975 | 1,520 |
| Less allowable costs that exceed claimed costs ² | — | (1,520) | (1,520) |
| Total program costs | <u>\$ 9,455</u> | 9,455 | <u>\$ —</u> |
| Less amount paid by the State | | — | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 9,455</u> | |
| <u>Summary: July 1, 1997, through June 30, 2008</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Review CIEs' techniques and strategies | \$ 622,651 | \$ 12,143 | \$ (610,508) |
| Evaluation to include assessment of CIEs' techniques and strategies | 606,698 | 8,456 | (598,242) |
| Total salaries and benefits | 1,229,349 | 20,599 | (1,208,750) |
| Indirect costs | 57,607 | 771 | (56,836) |
| Total direct and indirect costs | 1,286,956 | 21,370 | (1,265,586) |
| Less allowable costs that exceed claimed costs ² | — | (4,834) | (4,834) |
| Total program costs | <u>\$ 1,286,956</u> | 16,536 | <u>\$ (1,270,420)</u> |
| Less amount paid by the State | | 411,733 | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (395,197)¹</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 2006-07, and FY 2007-08.

Finding and Recommendation

FINDING— Misstated salaries and benefits and related indirect costs

The district overstated salaries and benefits by \$1,208,750 for the audit period. The related indirect costs total \$56,836. For fiscal year (FY) 1997-98 through FY 2004-05, the district did not support its entire claimed salaries and benefits totaling \$1,213,400. For FY 2006-07 and FY 2007-08, the district understated allowable salaries and benefits by \$4,650.

On March 31, 2010, in reference to the FY 1997-98 through FY 2004-05 claims, the district's Director of Human Resources stated:

We are no longer spending valuable human resource employee time on this audit. If at a future date, we have additional hours, we will continue to print copies of the employee evaluations. It is my understanding you have completed and verified the dollars requested for the years 2007-08 and 2006-07. You can see that we have a verifiable evaluation process in place.

In support of FY 1997-98 through FY 2004-05 costs, the district provided us Sixten and Associates' "Employee Average Time Records for Mandated Costs." Each employee recorded average time performing evaluation activities for the period of FY 1997-98 through FY 2004-05 in one form. All forms were signed by claimed staff and dated in either February or March 2006. The district did not provide source documents supporting the average time or access to employee evaluations to support the number of employees evaluated. The district did not file a claim for FY 2005-06; however, the district provided School Innovations and Advocacy's time logs for this unclaimed year.

In support of FY 2006-07 costs, the district provided School Innovations and Advocacy's time logs. Each employee recorded time spent performing the mandate for all months in the fiscal year in one form. The time logs did not include the date signed or the signature of claimed employee. The district did not provide source documents supporting the time recorded in the annual forms. The district also did not provide School Innovations and Advocacy source documentation to support its FY 2007-08 claims.

We developed alternative methods to determine allowable salaries, benefits, and related indirect costs given the district's inadequate documentation detailed above. We obtained a copy of the district's teacher-evaluation procedures and forms and interviewed administrators who actually performed the mandated activities in the audit years. The district's teacher-evaluation forms disclosed half an hour of actual classroom observation. The district requested that it be allowed to support its claims with auditor verification of its written observations and final summary performance teacher evaluations from personnel records. The district agreed to our recommendation that it allow half an hour for each written observation and final teacher evaluation verified.

We selected a 10% random sample of 23 district school sites. The district provided copies of written observations and summative evaluations of El Camino High School, Jefferson Middle School, and Mission Elementary School for FY 2006-07 and FY 2007-08. Auditor-verified hours for sampled schools exceeded claimed hours only for FY 2006-07 and FY 2007-08. The district also provided actual pay and benefits information as well as resource codes for employees claimed for FY 2006-07 and FY 2007-08. The claimed rates were overstated for FY 2006-07 and understated for FY 2007-08.

The following table summarizes the overstated claimed costs for salaries and benefits and related indirect costs by reimbursable activities:

| Fiscal Year | Review CIEs' Techniques and Strategies | Evaluate (and Assess) CIEs' Techniques and Strategies | Total Salaries and Benefits | Indirect Costs | Audit Adjustment |
|--------------|--|---|-----------------------------|--------------------|-----------------------|
| 1997-98 | \$ (25,860) | \$ (25,859) | \$ (51,719) | \$ (2,586) | \$ (54,305) |
| 1998-99 | (35,551) | (35,550) | (71,101) | (3,555) | (74,656) |
| 1999-2000 | (50,227) | (50,227) | (100,454) | (5,023) | (105,477) |
| 2000-01 | (70,837) | (70,837) | (141,674) | (6,418) | (148,092) |
| 2001-02 | (97,069) | (97,068) | (194,137) | (9,590) | (203,727) |
| 2002-03 | (98,937) | (98,936) | (197,873) | (10,012) | (207,885) |
| 2003-04 | (110,625) | (110,624) | (221,249) | (9,182) | (230,431) |
| 2004-05 | (117,596) | (117,597) | (235,193) | (10,654) | (245,847) |
| 2006-07 | (1,016) | 4,193 | 3,177 | 137 | 3,314 |
| 2007-08 | (2,790) | 4,263 | 1,473 | 47 | 1,520 |
| Total | \$ (610,508) | \$ (598,242) | \$ (1,208,750) | \$ (56,836) | \$ (1,265,586) |

CIE = Certificated instructional employee

The parameters and guidelines (section IV) 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.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), 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.

Recommendation

We recommend that the district ensure that all costs related to the mandated program are properly reported and supported with source documents.

District's Response

. . . we feel that we submitted claims appropriate to the costs incurred. While we were able to supply supporting documentation, it was not accepted as sufficient by the audit team. The additional documentation requested was, and is, available but would be a significant drain on district resources, including staff and funds, to provide. Consequently, the district cannot expend any further time or resources to produce the requested records.

SCO's Comment

The finding and recommendation remain unchanged.

As noted in the finding, the district provided only estimated time spent performing mandated activities. We worked with the district in developing alternative methods to determine a unit time allowance for time spent on reimbursable activities. The district provided us only with documentation supporting the number of employees evaluated as well as related pay and benefit information for FY 2006-07 and FY 2007-08. The district did not provide us with this type of information for FY 1997-98 through FY 2004-05. Consequently, we allowed no costs for FY 1997-98 through FY 2004-05.

We will reissue the final report, as appropriate, if the district provides us additional documentation supporting costs incurred for FY 1997-98 through FY 2004-05.

**OTHER ISSUE—
Noncompliance with
mandated
requirements**

Probationary certificated instructional employees were not evaluated and assessed.

The district did not evaluate and assess the performance of probationary certificated employees in FY 2006-07 and FY 2007-08. Therefore, it did not claim costs for this activity.

The district provided system-generated lists of certificated instructional employees (CIE) for FY 2006-07 and FY 2007-08. The lists disclosed tenure status as temporary, substitute, probationary, or permanent. The lists reported that 85 out of 152 (56%) probationary CIEs for FY 2006-07 and 41 out of 108 (38%) probationary CIEs for FY 2007-08 were not evaluated. The district researched and printed evidence of evaluation for 18 CIEs for FY 2006-07 and 11 CIEs for FY 2007-08. The district's system-generated lists of probationary employees who were not evaluated were erroneous.

The district's corrected numbers of probationary employees who were not evaluated are as follows:

- FY 2006-07—67 out of 152 (44%)
- FY 2007-08—30 out of 108 (28%)

The parameters and guidelines for the program state that the CSM found that Education Code sections 44660-44665 constitute a new program or higher level of service and impose a state-mandated program upon school districts to evaluate and assess the performance of probationary certificated instructional employees once each year for the following reimbursable activities:

- Reviewing the employee's instructional techniques and strategies and adherence to curricular objectives, and including in the written evaluation the assessment of these factors,
- Reviewing the results of the STAR test as it reasonably relates to the performance of those certificated employees who teach reading, writing, mathematics, history/social science, and science in grades 2 to 11, and including 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.

Certificated instructional employees were not evaluated and assessed based on STAR test results.

The district did not evaluate and assess the performance of CIEs based on the STAR test results of the pupils they taught during the evaluation periods.

The district's collective bargaining agreement in effect for the audit period did not allow for teacher evaluation based on the STAR test results of the students they taught.

The parameters and guidelines state that the CSM found that Education Code sections 44660-44665 constitute a new program or higher level of service and impose a state mandated program upon school districts to:

Evaluate and assess the performance of probationary 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 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 specific 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 USC section 7801), and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

Staff were not trained on implementing the mandate.

The district did not train staff on implementing the legislatively mandated Stull Act program reimbursable activities.

The parameters and guidelines state that the following activity is reimbursable:

Train staff on implementing the reimbursable activities listed in section IV of these parameters and guidelines. (One-time activity for each employee.) (*Reimbursement period begins July 1, 1997*)

Recommendation

We recommend that the district:

- Include in the certificated administrator's job description responsibility for the assessment and evaluation of certificated instructional employees according to Education Code section 44660-49665;
- Develop and implement board policies and district procedures on assessment and evaluation of certificated instructional employees that are in compliance with the Education Code; and
- Improve management oversight of mandated activities imposed on school districts.

District's Response

. . . the district complied fully with the requirements of the Stull Act during the claiming period.

SCO's Comment

The observation and recommendation remain unchanged. The district did not respond to the specific issues identified above.

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



March 22, 2011

Jim L. Spano, Chief
Mandated Cost Audits Bureau/Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Stull Act Program - July 1, 1997, through June 30, 2008

Dear Chief Spano,

In connection with the State Controller's Office (SCO) audit of the Oceanside Unified's claims for the mandated program and audit period identified above, we affirm, to the best of our knowledge and belief, the following representations made to the SCO's audit staff during the audit:

1. We maintain accurate financial records and data to support the mandated cost claims submitted to the SCO.
2. We designed and implemented the district's accounting system to ensure accurate and timely records.
3. We prepared and submitted our reimbursement claims according to the Stull Act Program's parameters and guidelines.
4. We claimed mandated costs based on actual expenditures allowable per the Stull Act Program's parameters and guidelines.
5. We made available to the SCO's audit staff all financial records, correspondence, and other data pertinent to the mandated cost claims.
6. We are not aware of any:
 - a. Violations or possible violations of laws and regulations involving management or employees who had significant roles in the accounting system or in preparing the mandated cost claims.
 - b. Violations or possible violations of laws and regulations involving other employees that could have had a material effect on the mandated cost claims.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, accounting and reporting practices that could have a material effect on the mandated cost claims.
 - d. Relevant, material transactions that were not properly recorded in the accounting records that could have a material effect on the mandated cost claims.
7. We are not aware of any events that occurred after the audit period that would require us to adjust the mandated cost claims.

Furthermore, the district complied fully with the requirements of the Stull Act during the claiming period and we feel that we submitted claims appropriate to the costs incurred. While we were able to supply supporting documentation, it was not accepted as sufficient by the audit team. The additional documentation requested was, and is, available but would be a significant drain on district resources, including staff and funds, to provide. Consequently, the district cannot expend any further time or resource to produce the requested records.

Sincerely,

Karen Huddleston, Controller

Cc: Shelly Morr, Ed.D.
Associate Superintendent, Human Resources

Oceanside Unified School District
Fiscal Services Department
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Division of Audits
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<http://www.sco.ca.gov>