

POWAY 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

August 2014



JOHN CHIANG
California State Controller

August 20, 2014

Todd Gutschow, President
Board of Education
Poway Unified School District
14435 Harvest Court
Poway, CA 92064

Dear Mr. Gutschow:

The State Controller's Office audited the costs claimed by Poway 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 \$4,161,778 for the mandated program. Our audit found that \$943,147 is allowable and \$3,218,631 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities. The State paid the district \$415,123. Allowable costs claimed exceed the amount paid by \$528,024.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). 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 Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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: John P. Collins, Ed.D., Superintendent
Poway Unified School District
Malliga Tholandi, Associate Superintendent, Business Support Services
Poway Unified School District
Naomi Sweet, Administrative Assistant II, Finance
Poway Unified School District
Joy Ramiro, Director, Finance
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Brent Watson, Executive Director
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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 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 \$4,161,778 for the mandated program. Our audit found that \$943,147 is allowable and \$3,218,631 is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated activities. The State paid the district \$415,123. Allowable costs claimed exceed the amount paid by \$528,024.

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 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'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.

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, Poway Unified School District claimed \$4,161,778 for costs of the Stull Act Program. Our audit found that \$943,147 is allowable and \$3,218,631 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$19,546. Our audit found that \$58,111 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$38,565, contingent upon available appropriations.

For the FY 1998-99 through FY 2007-08 claims, the State made no payment to the district. Our audit found that \$707,875 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$211,391. Our audit found that \$82,364 is allowable. The State will offset \$129,027 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2009-10 claim, the State paid the district \$184,186. Our audit found that \$61,569 is allowable. The State will offset \$122,617 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 \$33,228 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$33,228, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on July 9, 2014. Malliga Tholandi, Associate Superintendent, Business Support Services, responded by letter dated July 25, 2014 (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 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 report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

August 20, 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	\$ 224,521	\$ 55,108	\$ (169,413)
Training	—	—	—
Total direct costs	224,521	55,108	(169,413)
Indirect costs	12,237	3,003	(9,234)
Total program costs	<u>\$ 236,758</u>	58,111	<u>\$ (178,647)</u>
Less amount paid by state		(19,546)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,565</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 167,088	\$ 56,190	\$ (110,898)
Training	—	—	—
Total direct costs	167,088	56,190	(110,898)
Indirect costs	7,235	2,433	(4,802)
Total program costs	<u>\$ 174,323</u>	58,623	<u>\$ (115,700)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 58,623</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 326,643	\$ 57,779	\$ (268,864)
Training	—	—	—
Total direct costs	326,643	57,779	(268,864)
Indirect costs	9,995	1,768	(8,227)
Total program costs	<u>\$ 336,638</u>	59,547	<u>\$ (277,091)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 59,547</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 355,176	\$ 60,534	\$ (294,642)
Training	—	—	—
Total direct costs	355,176	60,534	(294,642)
Indirect costs	14,314	2,440	(11,874)
Total program costs	<u>\$ 369,490</u>	62,974	<u>\$ (306,516)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 62,974</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 411,447	\$ 63,211	\$ (348,236)
Training	—	—	—
Total direct costs	411,447	63,211	(348,236)
Indirect costs	19,091	2,933	(16,158)
Total program costs	<u>\$ 430,538</u>	66,144	<u>\$ (364,394)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 66,144</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 365,399	\$ 64,623	\$ (300,776)
Training	—	—	—
Total direct costs	365,399	64,623	(300,776)
Indirect costs	16,553	2,927	(13,626)
Total program costs	<u>\$ 381,952</u>	67,550	<u>\$ (314,402)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,550</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 306,838	\$ 66,573	\$ (240,265)
Training	—	—	—
Total direct costs	306,838	66,573	(240,265)
Indirect costs	15,342	3,329	(12,013)
Total program costs	<u>\$ 322,180</u>	69,902	<u>\$ (252,278)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,902</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 360,085	\$ 69,034	\$ (291,051)
Training	—	—	—
Total direct costs	360,085	69,034	(291,051)
Indirect costs	18,617	3,569	(15,048)
Total program costs	<u>\$ 378,702</u>	72,603	<u>\$ (306,099)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 72,603</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 326,394	\$ 73,158	\$ (253,236)
Training	—	—	—
Total direct costs	326,394	73,158	(253,236)
Indirect costs	16,940	3,797	(13,143)
Total program costs	<u>\$ 343,334</u>	76,955	<u>\$ (266,379)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 76,955</u>	

Schedule 1 (continued)

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	\$ 210,698	\$ 77,144	\$ (133,554)
Training	<u>2,820</u>	<u>2,836</u>	<u>16</u>
Total direct costs	213,518	79,980	(133,538)
Indirect costs	<u>11,850</u>	<u>4,437</u>	<u>(7,413)</u>
Total program costs	<u>\$ 225,368</u>	84,417	<u>\$ (140,951)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,417</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 238,589	\$ 82,572	\$ (156,017)
Training	<u>2,434</u>	<u>2,383</u>	<u>(51)</u>
Total direct costs	241,023	84,955	(156,068)
Indirect costs	<u>11,931</u>	<u>4,205</u>	<u>(7,726)</u>
Total program costs	<u>\$ 252,954</u>	89,160	<u>\$ (163,794)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,160</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 229,598	\$ 77,428	\$ (152,170)
Training	<u>2,148</u>	<u>1,593</u>	<u>(555)</u>
Total direct costs	231,746	79,021	(152,725)
Indirect costs	<u>9,803</u>	<u>3,343</u>	<u>(6,460)</u>
Total program costs	<u>\$ 241,549</u>	82,364	<u>\$ (159,185)</u>
Less amount paid by state		(211,391)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (129,027)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 175,637	\$ 58,631	\$ (117,006)
Training	314	185	(129)
Total direct costs	175,951	58,816	(117,135)
Indirect costs	8,235	2,753	(5,482)
Total program costs	<u>\$ 184,186</u>	61,569	<u>\$ (122,617)</u>
Less amount paid by state		(184,186)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (122,617)</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 272,262	\$ 31,772	\$ (240,490)
Training	183	126	(57)
Total direct costs	272,445	31,898	(240,547)
Indirect costs	11,361	1,330	(10,031)
Total program costs	<u>\$ 283,806</u>	33,228	<u>\$ (250,578)</u>
Less amount paid by state		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 33,228</u>	
<u>Summary: July 1, 1997, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits			
Evaluation activities	\$ 3,970,375	\$ 893,757	\$ (3,076,618)
Training	7,899	7,123	(776)
Total direct costs	3,978,274	900,880	(3,077,394)
Indirect costs	183,504	42,267	(141,237)
Total program costs	<u>\$ 4,161,778</u>	943,147	<u>\$ (3,218,631)</u>
Less amount paid by state		(415,123)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 528,024</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Overstated salaries and benefits and related indirect costs

The district claimed \$3,978,274 in salaries and benefits and \$183,504 in related indirect costs for the audit period. We found that \$3,077,394 in salaries and benefits is unallowable. The costs are unallowable primarily because the district claimed reimbursement for non-mandated evaluation costs (\$3,076,618) and training costs (\$776). Related indirect costs totaled \$141,237.

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

Fiscal Year	Salaries and Benefits			(D)	Total
	(A) Claimed	(B) Allowable	(C) Adjustment [(B)-(A)]	Indirect Costs Adjustment	Audit Adjustment [(C)+(D)]
1997-98	\$ 224,521	\$ 55,108	\$ (169,413)	\$ (9,234)	\$ (178,647)
1998-99	167,088	56,190	(110,898)	(4,802)	(115,700)
1999-2000	326,643	57,779	(268,864)	(8,227)	(277,091)
2000-01	355,176	60,534	(294,642)	(11,874)	(306,516)
2001-02	411,447	63,211	(348,236)	(16,158)	(364,394)
2002-03	365,399	64,623	(300,776)	(13,626)	(314,402)
2003-04	306,838	66,573	(240,265)	(12,013)	(252,278)
2004-05	360,085	69,034	(291,051)	(15,048)	(306,099)
2005-06	326,394	73,158	(253,236)	(13,143)	(266,379)
2006-07	213,518	79,980	(133,538)	(7,413)	(140,951)
2007-08	241,023	84,955	(156,068)	(7,726)	(163,794)
2008-09	231,746	79,021	(152,725)	(6,460)	(159,185)
2009-10	175,951	58,816	(117,135)	(5,482)	(122,617)
2010-11	272,445	31,898	(240,547)	(10,031)	(250,578)
	<u>\$ 3,978,274</u>	<u>\$ 900,880</u>	<u>\$ (3,077,394)</u>	<u>\$ (141,237)</u>	<u>\$ (3,218,631)</u>

Time Log Activities

The time logs determined the time it took district evaluators to perform 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, observation, report writing, and other activities within the evaluation process.

The time logs determined it takes district evaluators an average of 3 hours per permanent teacher to complete an evaluation, and an average of 5.42 hours per probationary/temporary teacher to complete an evaluation.

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 member to review his or her 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 member;
- Conducting a final evaluation conference with certificated staff member; and
- Discussing 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 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 described as "Receiving training, inside or outside the district on evaluating certificated staff." We reviewed this information, along with district's additional training documentation, in our Calculation of Allowable Training Costs section.

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

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

The time logs found that it takes the district evaluators an average of 1.52 hours per permanent teacher evaluation and 3.57 hours per probationary/temporary teacher (non-permanent) evaluation to complete allowable activities within the evaluation process. In addition, the time logs supported that it takes the district evaluators an average of 12.93 hours per unsatisfactory teacher evaluation to complete allowable activities within the evaluation process.

Completed Evaluations

The district did not keep track of completed evaluations during the audit period. To support claimed evaluations, we used the data the district gathered from its time logs as a completed teacher evaluations database. We cross-checked the database with the district's employee listings to ensure that teachers were employed at the district each year and that their information was accurate. Once completed, 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:

<u>Fiscal Year</u>	<u>Number of Completed Evaluations</u>		
	<u>District- Provided</u>	<u>Audited</u>	<u>Difference</u>
2006-07	508	535	27
2007-08	539	555	16
2008-09	559	459	(100)
2009-10	552	426	(126)
2010-11	165	163	(2)
Totals	<u>2,323</u>	<u>2,138</u>	<u>(185)</u>

The non-reimbursable evaluations included the following:

- Assistant principals, directors, librarians, nurses, coordinators, program specialists, psychologists, speech therapists, staff developers, and Teacher on Special Assignment (TOSA) employees who are not certificated instructional employees;
- Adult education, hourly, and ROTC teachers who do not perform the requirements of the program that is mandated by state or federal law;
- Teachers claimed multiple times in one school year;
- Permanent biannual teachers claimed every year rather than every other year; and
- Permanent five-year teachers claimed multiple times in a five-year period rather than once every five years.

Calculation of Allowable Evaluation Costs

To arrive at allowable salaries and benefits for “evaluation activities” from fiscal year (FY) 2006-07 through FY 2010-11, we multiplied the number of allowable evaluations by allowable hours per evaluation and claimed productive hourly rates.

For the remaining years, we used the data for FY 2006-07 as the “base” year. We applied an implicit price deflator to total allowable evaluation activities costs in FY 2006-07 to determine allowable evaluation activities costs for FY 1997-98 through FY 2005-06.

The following table summarizes allowable evaluation costs by fiscal year.

Fiscal Year	Evaluation activities		
	Claimed	Allowable	Audit Adjustment
1997-98	\$ 224,521	\$ 55,108	\$ (169,413)
1998-99	167,088	56,190	(110,898)
1999-2000	326,643	57,779	(268,864)
2000-01	355,176	60,534	(294,642)
2001-02	411,447	63,211	(348,236)
2002-03	365,399	64,623	(300,776)
2003-04	306,838	66,573	(240,265)
2004-05	360,085	69,034	(291,051)
2005-06	326,394	73,158	(253,236)
2006-07	210,698	77,144	(133,554)
2007-08	238,589	82,572	(156,017)
2008-09	229,598	77,428	(152,170)
2009-10	175,637	58,631	(117,006)
2010-11	272,262	31,772	(240,490)
Total	<u>\$ 3,970,375</u>	<u>\$ 893,757</u>	<u>\$ (3,076,618)</u>

We then applied the applicable indirect cost rates to allowable evaluation activities to calculate allowable indirect costs of \$41,912 for this component.

Calculation of Allowable Training Costs

The district claimed training hours from FY 2006-07 through FY 2010-11, totaling \$7,899 for the audit period. We found that \$7,123 in training costs is reimbursable under the mandate and \$776 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
2006-07	\$ 2,820	\$ 2,836	\$ 16
2007-08	2,434	2,383	(51)
2008-09	2,148	1,593	(555)
2009-10	314	185	(129)
2010-11	183	126	(57)
Total	<u>\$ 7,899</u>	<u>\$ 7,123</u>	<u>\$ (776)</u>

We applied the applicable indirect cost rates to allowable training costs to calculate allowable indirect costs of \$355 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:
- Once each year for probationary certificated employees;
 - Every other year for permanent certificated employees; and
 - Beginning January 1, 2004, every five years for certificated employees with permanent status who have been employed at least ten years with the school district, are highly qualified, and whose previous evaluation rated the employee as meeting or exceeding standards, if the evaluator and certificated employee being evaluated agree.

The parameters and guidelines (section IV.C—Training) state that training staff on implementing the reimbursable activities listed in Section IV of the parameters and guidelines is reimbursable as a 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.

District's Response

PART 1. TIME STUDY ACTIVITIES

Using time study forms prepared by our mandate consultant, District staff evaluators recorded the time spent over the course of the year-long process to evaluate certificated staff during FY 2006-07 through FY 2010-11. The annual cost of the evaluation process is based on the average time to implement eleven different components of the annual employee evaluation process, multiplied by the number of evaluations performed each year, and then multiplied by the average productive

hourly rates (salary and benefits) for the evaluators. For the eleven components, the total average time to complete the evaluation process based on the District time study documents and the audited allowable times are as follows:

Evaluation <u>Type</u>	District Ave. Hours <u>Time Study</u>	Audited Ave. Hours <u>Allowed</u>
Permanent	3.0	1.52
Probation/Temporary	5.42	3.57
Unsatisfactory	n/a	12.93

The reported average time for each of the eleven evaluation activities was calculated by the auditor. At this time, the District has no objection to the audited average District time for each of the activities. The District does disagree with the audited total time which excludes six activities.

The Six Non-Reimbursable Activities

The draft audit report states six of the eleven activities identified in the time study are not reimbursable:

1. Goals and objectives conference
2. Pre-observation conference
5. Post-observation conference
6. Mid-year evaluation conference
9. Final evaluation conference
10. Discussing STAR results

A seventh activity, training (11), was removed from the time study and separately adjusted.

The draft audit report states that conferences between the evaluators and evaluated person are not reimbursable because they were required before the enactment of the test claim legislation and thus do not impose a new program or higher level of service. The District disagrees with this disallowance. The mandate reimburses the new program requirement to “evaluate and assess” which necessarily involves a comprehensive process. The conferences are one part of a continuum of evaluation and assessment steps, none of which individually completes the mandate. The conferences and related tasks are effective and efficient methods to evaluate and assess employees and necessary to communicate the findings of the evaluation to the employee. Whether the conferences in general were required as a matter of law before the Stull Act is a statewide issue for the Commission on State Mandates.

The Four Allowed Activities

The draft audit report states that four of the eleven activities identified by the district are reimbursable:

3. Classroom observations (formal and informal);
4. Observation form preparation

7. Mid-year evaluation report preparation
8. Final evaluation report.

The District agrees that these activities are reimbursable.

SCO's Comments

Time Study Activities

Our finding and recommendation are unchanged. The conferences between the teachers and evaluators are non-reimbursable activities.

The district states in its response that “the mandate reimburses the new program requirement to ‘evaluate and assess’ which necessarily involves a comprehensive process.” We disagree. Not all activities from the evaluation process are reimbursable. The mandate reimburses only those activities that impose a new requirement or higher level of service for the agencies.

The program’s parameters and guidelines (sections IV.A.1, IV.A.2, and IV.B.1) specify that reimbursement is limited to only those activities outlined in each section. Section IV.B.1 identifies reimbursable evaluation conferences only for those instances in which an unsatisfactory evaluation took place for certificated instructional or non-instructional personnel in those years in which the employee would not have otherwise been evaluated.

The district claimed costs for the conferences resulting from evaluations completed under sections IV.A.1 and IV.A.2 of the parameters and guidelines. Sections IV.A.1 and IV.A.2 do not identify evaluation conferences or any other types of conferences as reimbursable activities.

Furthermore, the Commission found in its statement of decision that conferences between the evaluators and teachers are not reimbursable because they were required before the enactment of the test claim legislation.

Under prior law, the evaluation was to be prepared in writing and a copy of the evaluation was to be given to the employee. A meeting was to be held between the certificated employee and the evaluator to discuss the evaluation and assessment. The Commission indicated in its statement of decision document that:

...the 1975 test claim legislation did not amend the requirements in Former Education Code sections 13488 and 13489 to prepare written evaluations of certificated employees, receive responses to those evaluations, and conduct a meeting with the certificated employee to discuss the evaluation...

Furthermore, the 1983 test claim statute still requires school districts to prepare the evaluation in writing, to transmit a copy to the employee, and to conduct a meeting with the employee to discuss the evaluation and assessment. These activities are not new.

However, the 1983 test claim statute amended the evaluation requirements by adding two new evaluation factors relating to 1) the instructional techniques and strategies used by the employee, and 2) the employee's adherence to curricular objectives. The Commission found that Education Code section 44662, subdivision (b), as amended by Statutes of 1983, Chapter 498, imposed a new requirement on school districts to:

...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 is limited to the additional requirements imposed by the amendments. The additional requirements include 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 only these factors. Conference activities do not impose a new program or higher level of service.

District's Response

PART 2. COMPLETED AND ALLOWABLE EVALUATIONS

A. Time Study (FY 2006-07 through FY 2010-11)

The District has no ongoing database of names and position information for the evaluations conducted each fiscal year retroactive to FY 1997-98 (none was required by the claiming instructions). This information is available from the time study form for each evaluation conducted from FY 2006-07 through FY 2010-11. The auditor sorted the time study information by fiscal year and teacher name, and removed "unallowable evaluations": non-instructional employees, unallowable job titles, duplicates, and evaluations not found during field work. "Unsatisfactory evaluations" were removed so a separate time average could be applied. The auditor provided the following table of modifications to the provided time study universe:

Evaluations form time logs	2,323
Add: Evaluations found during testing	<u>138</u>
Total evaluations	2,461
Less:	
Non-instructional employees	39
Unallowable job titles	8
Duplicates	243
No evaluation found during testing	14
Group evaluation	<u>19</u>
Total audited allowable evaluations (2,133) routine and 5 unsatisfactory)	323 2,138

The draft audit report disallows about 13% (323) of the 2,461 evaluations included in the time study. The draft audit report states these evaluations were disallowed for five reasons:

1. Assistant principals, directors, librarians, nurses, coordinators, program specialists, and Teachers on Special Assignment (TOSA) employees who are not certificated instructional employees.

This category of 39 disallowed evaluations comprises about 2% of the evaluations included in the time study. The parameters and guidelines states that the mandate is to evaluate the performance of “certificated instructional employees.” All certificated personnel are “instructional” personnel even if some are not classroom teachers. The audit report does not indicate how these other certificated personnel are not implementing the “curricular objectives.” The District does agree that the portion of the mandate relating to the evaluation of compliance with the testing assessment standards (the STAR component) is limited to classroom teachers because the parameters and guidelines specifically states “employees that teach” specified curriculum. A Commission on State Mandates decision will be needed since this is an issue of statewide significance relevant to all Stull Act audits.

2. Adult education, hourly, and ROTC teachers who do not perform the requirements of the program that is mandated by state or federal law.

This category of 8 disallowed evaluations comprises less than 1% of the evaluations included in the time study. For purposes of the Stull Act reimbursement, adult education teachers are properly excluded from the total allowed for reimbursement since they are not provided K-12 instruction. However, the draft audit report does not state a basis to exclude the other instructors from the time study.

3. Teacher evaluations claimed multiple times in one school year.

This category of 243 disallowed evaluations comprises about 10% of the evaluations included in the time study. Potential and legitimate “duplicate” evaluations generally occur as a result of an employee transferring to another school during the evaluation cycle, or a change in employment status of the employee. The District agrees that for purposes of the Stull Act reimbursement, only one complete evaluation should be counted for each employee within the annual cycle.

4. Permanent biannual teacher evaluations claimed every year rather than every other year.

This category was not separately identified by the audit. The District has particular reasons for performing an evaluation of some permanent teachers more often than biannually. However, for purposes of the Stull Act reimbursement, only one complete evaluation should be counted for each employee every other year after the employee attains permanent status.

5. Permanent five-year teachers claimed multiple times in a five-year period rather than once every five years.

This category was not separately identified by the audit. The District has particular reasons for performing an evaluation of some permanent teachers more often than every five years. However, for purposes of the Stull Act reimbursement, only one complete evaluation should be counted for each permanent employee every fifth year after the employee attains fifth-year permanent status.

There are two other adjustment reasons not addressed by the draft audit report:

6. No evaluation found during testing

This category of 14 disallowed evaluations comprises less than 1% of the evaluations included in the time study. These disallowances appear to result when a time study form from an employee exists but no evaluation form was found in the employee file. The District asserts that the time study form is sufficient documentation that the evaluation occurred.

7. Group evaluation

This category of 19 disallowed evaluations comprises less than 1% of the evaluations included in the time study. The draft audit report does not state a basis to exclude this type of evaluation from the time study.

SCO's Comments

Completed and Allowable Evaluations – Time Study (FY 2006-07 through FY 2010-11)

Our finding and recommendation are unchanged.

1. Assistant principals, directors, librarians, nurses, coordinators, program specialists, and Teachers on Special Assignment (TOSA) employees who are not certificated instructional employees.

The district states that “All certificated personnel are ‘instructional’ personnel even if some are not classroom teachers.” We disagree.

The language of the parameters and guidelines and the Commission statement of decision address the difference between certificated instructional employees and certificated non-instructional employees.

In its statement of decision, the Commission identifies instructional employees as teachers, and non-instructional employees as principals and various administrators. The Commission further states that the test claim legislation, as it relates to evaluation and assessment of certificated non-instructional employees, does not constitute a new program or higher level of service.

In addition, the parameters and guidelines clearly identify reimbursable components and activities as they relate to certificated instructional and certificated non-instructional personnel. Our draft report identifies a finding related to the component of evaluating instructional techniques and strategies and adherence to curricular objectives for the certificated instructional employees. The intent of this component is to evaluate the elements of classroom instruction. Assistant principals, directors, librarians, nurses, coordinators, program specialists, and TOSAs do not provide classroom instruction and are considered “non-instructional” certificated personnel.

2. *Adult education, hourly, and ROTC teachers who do not perform the requirements of the program that is mandated by state or federal law.*

Regarding the issue of adult education teachers, the district states that they are “properly excluded from the total allowed for reimbursement. . . .” However, the district also states that “the draft audit report does not state a basis to exclude the other instructors from the time study.” The hourly teacher was excluded because former Education Code section 13489 was amended (in 1973) to exclude hourly teachers from the requirement to evaluate and assess on a continuing basis. The ROTC teachers were excluded because, per Education Code 51750, the establishment of a school course in military science and tactics is optional, and not a required course of study for any student. Therefore, the ROTC course is not mandated.

3. *Teacher evaluations claimed multiple times in one school year.*

The district agrees that “only one complete evaluation should be counted for each employee within the annual cycle. . . .”

4. *Permanent biannual teacher evaluations claimed every year rather than every other year.*

The district agrees that “only one complete evaluation should be counted for each employee every other year after the employee attains permanent status.”

5. *Permanent five-year teachers claimed multiple times in a five-year period rather than once every five years.*

The district agrees that “only one complete evaluation should be counted for each permanent employee every fifth year after the employee attains fifth-year permanent status.”

6. *No evaluation found during testing*

The district asserts that the “time study form is sufficient documentation that the evaluation occurred.” We disagree.

During the fieldwork portion of the audit, we selected a sample of evaluations to test for compliance with the parameters and guidelines. Our review of the tested sample found fourteen evaluations that could not be located by the district. We excluded those fourteen evaluations from the total allowable population.

7. *Group evaluation*

During fieldwork, we found that an evaluator completed only one evaluation for twenty different employees. However, these employees were each listed separately in the total population of completed evaluations. Since we found evidence that these employees were part of a single evaluation, we only allowed one evaluation.

District's Response

PART 2. COMPLETED AND ALLOWABLE EVALUATIONS

B. Extrapolation of Prior Years (FY 1997-98 through FY 2005-06)

In the absence of the previously mentioned database of the number of evaluations conducted each fiscal year, the audit used the cost date for FY 2006-07 as a "base" year and applied an Implicit Price Deflator to total allowable evaluation costs for FY 2006-07 to determine allowable evaluation costs for each of FY 1997-98 through FY 2005-06.

The District believes that this extrapolation method overlooks the fact that the number of staff evaluated during these prior years would have been larger than those in later years. The audit uses averages for the years 1997-98 thru 2005-06 of 309 permanent, 115 probationary and temporary, and 1 unsatisfactory evaluation per year (425 total), based upon the time study results for the period 2006-07 thru 2010-11. This represents about 30% of the District teachers for those years. If the same percentage were applied to prior years, there would be a minimum of 413 permanent, 128 probationary and temporary evaluations for a total of 541 evaluations per year for the period 1997-98 thru 2005-06. The District is continuing its work on this comparative data and will present it in the incorrect reduction claim.

SCO's Comments

Completed and Allowable Evaluations – Extrapolation of Prior Years (FY 1997-98 through FY 2005-06)

Our finding and recommendation are unchanged.

The district asserts that the extrapolation method used for this audit "overlooks the fact that the number of staff evaluated during these prior years would have been larger than those in later years." The district has not provided evidence to support their assertion, but says it will provide this comparative data in the incorrect reduction claim.

District's Response

PART 3. TRAINING COSTS

The District claimed training time for staff during the time study period (FY 2006-07 through FY 2010-11) totaling \$7,899. The draft audit report determined that \$7,123 is reimbursable and \$776 is not because some of the same district employees were claimed for more than one fiscal year. The District disagrees with this disallowance. Meetings with the principals and other evaluators to commence the annual evaluation cycle are reasonable and necessary when the collective bargaining contract or the District evaluation process changes. As a separate issue, the audit should include training costs in the prior year extrapolation process.

SCO’s Comments

Training Costs

Our finding and recommendation are unchanged.

The district disagrees with the unallowable duplicate training hours claimed for the same employees. The district states that:

Meetings with the principals and other evaluators to commence the annual evaluation cycle are reasonable and necessary when the collective bargaining contract or the District evaluation process changes.

The parameters and guidelines state that the district may claim reimbursement to “train staff on implementing the reimbursable activities” and that training is reimbursable as a “one-time activity for each employee.”

The district believes that the meetings with the principals and other evaluators are “reasonable and necessary” activities. However, the reimbursement is limited to only those activities outlined in the parameters and guidelines (section IV.C).

The district also believes that training costs should have been included in the prior year extrapolation process. We disagree. Training costs are a one-time activity, for which the district did not provide any supporting documentation to verify compliance with the parameters and guidelines in the years prior to FY 2006-07.

**OTHER ISSUE—
Public Records
Request**

The district’s response included other comments related to the mandates cost claims. The district’s comments and SCO’s response are presented below.

District’s Response

Pursuant to Government Code Section 6253, the District requests copies of all audit work papers in support of the audit findings. The District requests that the Controller provide the District any and all written audit instructions, memoranda, or other writings in effect and applicable during the claiming periods to the findings.

SCO’s Comment

The SCO will respond to the district’s request in a separate letter.

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

BOARD OF EDUCATION
Kimberley Beatty
Marc Davis
Todd Gutschow
Andrew Patapow
Penny Ranftle

SUPERINTENDENT
John P. Collins, Ed.D.



POWAY UNIFIED SCHOOL DISTRICT

BUSINESS SUPPORT SERVICES

Malliga Tholandi
Associate Superintendent
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858-521-2778
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CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 25, 2014

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

Re: Poway Unified School District
Stull Act Mandate Audit
FY 1997-98 through FY 2010-11

Dear Mr. Spano:

This letter is the response of the Poway Unified School District to the draft audit report dated July 9, 2014, received by the District on July 16, 2014, for the above-referenced program and fiscal years, transmitted by the letter from Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office.

The District appreciated the opportunity to utilize a time study of the mandate program activities to replace the original documentation for the historic claim years. The time study is a reasonable method to fulfill the Controller's expectations for cost accounting and documentation. However, the District will file an incorrect reduction claim due to the limited scope of activities approved for reimbursement. The District disagrees with the Controller's interpretation of the Stull Act legislation and the test claim findings. From the discussion at the audit entrance and exit conferences, as well as the results of previous audits at other districts, it is clear that this disagreement cannot be resolved at this point. A Commission on State Mandates decision will be needed since these are issues of statewide significance relevant to all Stull Act audits.

Findings: Overstated salaries and benefits and related indirect costs

The District claimed \$3,978,274 in salaries and benefits and \$183,504 in related indirect costs for the audit period. The audit determined that \$3,077,394 in salaries and benefits are unallowable evaluation costs (\$3,076,618) and training costs (\$776). Related unallowable indirect costs totaled \$141,237.

PART 1. TIME STUDY ACTIVITIES

Using time study forms prepared by our mandate consultant, District staff evaluators recorded the time spent over the course of the year-long process to evaluate certificated staff during FY 2006-07 through FY 2010-11. The annual cost of the evaluation process is based on the average time to implement eleven different components of the annual employee evaluation process, multiplied by the number of evaluations performed each year, and then multiplied by the average productive hourly rates (salary and benefits) for the evaluators. For the eleven components, the total average time to complete the evaluation process based on the District time study documents and the audited allowable times are as follows:

<u>Evaluation Type</u>	<u>District Ave. Hours Time Study</u>	<u>Audited Ave. Hours Allowed</u>
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The reported average time for each of the eleven evaluation activities was calculated by the auditor. At this time, the District has no objection to the audited average District time for each of the activities. The District does disagree with the audited total time which excludes six activities.

The Six Non-Reimbursable Activities

The draft audit report states six of the eleven activities identified in the time study are not reimbursable:

1. Goals and objectives conference
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5. Post-observation conference
6. Mid-year evaluation conference
9. Final evaluation conference
10. Discussing STAR results

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The Four Allowed Activities

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3. Classroom observations (formal and informal);
4. Observation form preparation
7. Mid-year evaluation report preparation
8. Final evaluation report.

The District agrees that these activities are reimbursable.

PART 2. COMPLETED AND ALLOWABLE EVALUATIONS

A. Time Study (FY 2006-07 through FY 2010-11)

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Group evaluation	<u>19</u>	<u>323</u>
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4. Permanent biannual teacher evaluations claimed every year rather than every other year.

This category was not separately identified by the audit. The District has particular reasons for performing an evaluation of some permanent teachers more often than biannually. However, for purposes of the Stull Act reimbursement, only one complete evaluation should be counted for each employee every other year after the employee attains permanent status.

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B. Extrapolation of Prior Years (FY 1997-98 through FY 2005-06)

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Public Records Request

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Sincerely,



Malliga Tholandi
Associate Superintendent, Business Support Services
Poway Unified School District

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

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