



BETTY T. YEE
California State Controller

May 25, 2016

Steve Boyle, District Superintendent
Escondido Union High School District
302 North Midway Drive
Escondido, CA 92027-2741

Dear Mr. Boyle:

The State Controller's Office performed a desk review of costs claimed by the Escondido Union High School District for the legislatively mandated High School Exit Examination (HSEE) Program (Chapter 1, Statutes of 1999x; and Chapter 135, Statutes of 1999) for the period of July 1, 2000, through June 30, 2002; July 1, 2004, through June 30, 2005; and July 1, 2006, through June 30, 2008. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that the California Department of Education HSEE Program apportionment was properly offset on the district's claims.

The district claimed \$207,744 for the mandated program. Our review found that \$162,940 is allowable and \$44,804 is unallowable. The costs are unallowable because the district did not offset the funding provided in the State Budget for the HSEE Program, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the district. The State will pay \$162,940, contingent upon available appropriations.

We informed Nadine Krawietz, Finance Director, of the review finding via email on April 28, 2016. We did not receive a response from the district.

This final letter report contains an adjustment to costs claimed by the district. If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless as to whether this report is subsequently supplemented, superseded or otherwise amended.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.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

Attachments

RE: S16-MCC-9029

cc: Michael Simonson, Assistant Superintendent
Business Services, Escondido Union High School District
Nadine Krawietz, Finance Director
Finance Department, Escondido Union High School District
Lora Duzyk, Assistant Superintendent
Business Services, San Diego County Office of Education
Brent Watson, Executive Director
Business Advisory Services, San Diego County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2000, through June 30, 2002;
July 1, 2004, through June 30, 2005; and
July 1, 2006, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 509	\$ 509	\$ -
Determination of English language skills	138	138	-
HSEE administration	17,717	17,717	-
Test security	3,105	3,105	-
Reporting data to the Superintendent of Public Instruction	60	60	-
Total direct costs	21,529	21,529	-
Indirect costs	1,372	1,372	-
Total direct and indirect costs	22,901	22,901	-
Less offsetting reimbursements	-	(8,649)	(8,649)
Total program costs	<u>\$ 22,901</u>	14,252	<u>\$ (8,649)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,252</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 519	\$ 519	\$ -
Determination of English language skills	141	141	-
HSEE administration	20,449	20,449	-
Test security	3,211	3,211	-
Reporting data to the Superintendent of Public Instruction	64	64	-
Total direct costs	24,384	24,384	-
Indirect costs	1,970	1,970	-
Total direct and indirect costs	26,354	26,354	-
Less offsetting reimbursements	-	(3,465)	(3,465)
Total program costs	<u>\$ 26,354</u>	22,889	<u>\$ (3,465)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 22,889</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 648	\$ 648	\$ -
Determination of English language skills	190	190	-
HSEE administration	24,143	24,143	-
Test security	4,044	4,044	-
Reporting data to the Superintendent of Public Instruction	65	65	-
Total direct costs	29,090	29,090	-
Indirect costs	2,973	2,973	-
Total direct and indirect costs	32,063	32,063	-
Less offsetting reimbursements	-	(8,869)	(8,869)
Total program costs	<u>\$ 32,063</u>	23,194	<u>\$ (8,869)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,194</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits:			
Determination of English language skills	\$ 1,005	\$ 1,005	\$ -
HSEE administration	50,003	50,003	-
Test security	6,158	6,158	-
Reporting data to the Superintendent of Public Instruction	404	404	-
Total direct costs	57,570	57,570	-
Indirect costs	4,145	4,145	-
Total direct and indirect costs	61,715	61,715	-
Less offsetting reimbursements	-	(11,888)	(11,888)
Total program costs	<u>\$ 61,715</u>	49,827	<u>\$ (11,888)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 49,827</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits:			
Determination of English Language Skills	\$ 1,158	\$ 1,158	\$ -
HSEE Administration	44,476	44,476	-
Test Security	13,866	13,866	-
Reporting Data to the Superintendent of Public Instruction	401	401	-
Total direct costs	59,901	59,901	-
Indirect costs	4,810	4,810	-
Total direct and indirect costs	64,711	64,711	-
Less offsetting reimbursements	-	(11,933)	(11,933)
Total program costs	<u>\$ 64,711</u>	52,778	<u>\$ (11,933)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 52,778</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2000, through June 30, 2002;</u>			
<u>July 1, 2004, through June 30, 2005;</u>			
<u>and July 1, 2006, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 1,676	\$ 1,676	\$ -
Determination of English language skills	2,632	2,632	-
HSEE administration	156,788	156,788	-
Test security	30,384	30,384	-
Reporting data to the Superintendent of Public Instruction	994	994	-
Total direct costs	192,474	192,474	-
Indirect costs	15,270	15,270	-
Total direct and indirect costs	207,744	207,744	-
Less offsetting reimbursements	-	(44,804)	(44,804)
Total program costs	<u>\$ 207,744</u>	162,940	<u>\$ (44,804)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 162,940</u>	

¹ See Attachment 2, Review Results.

**Attachment 2—
Review Results
July 1, 2000, through June 30, 2002;
July 1, 2004, through June 30, 2005; and
July 1, 2006, through June 30, 2008**

BACKGROUND—

On March 25, 2004, the Commission on State Mandates (Commission) adopted a Statement of Decision for the High School Exit Examination (HSEE) Program finding that Education Code sections 60850, 60851, 60853, and 60855 as added in 1999, along with *California Code of Regulations*, Title 5, sections 1200-1225 that became effective in 2001 and 2003, constitutes a new program or higher level of service and imposes a reimbursable state-mandated program upon school districts.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on April 26, 2006. The parameters and guidelines categorize reimbursable activities into the following six components: adequate notice, documentation of adequate notice, determining English language skills, high school exit examination administration, test security/cheating, and reporting data to the Superintendent of Public Instruction. In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

Senate Bill 172 was signed on October 7, 2015, suspending administration of the California HSEE Program and the requirement that students completing Grade 12 successfully pass the high school exit exam as a condition of receiving a diploma for the 2015-16 through 2017-18 school years.

**FINDING—
Unreported offsetting
reimbursements**

The district did not report the HSEE Program apportionments received from the California Department of Education (CDE), totaling \$44,804, for the period of July 1, 2000, through June 30, 2002; July 1, 2004, through June 30, 2005; and July 1, 2006, through June 30, 2008.

Education Code 60851, subdivision (a), specifies that the State Superintendent of Public Instruction apportion funds to school districts to enable them to administer the HSEE Program. The CDE establishes the amount of funding to be apportioned per test administered, based on a review of the cost per test. For the review period, the district received \$44,804 from the CDE.

The following table summarizes the unreported offsetting reimbursements for the review period:

	Fiscal Year					Total
	2000-01	2001-02	2004-05	2006-07	2007-08	
HSEE apportionment	\$ (8,649)	\$ (3,465)	\$ (8,869)	\$ (11,888)	\$ (11,933)	\$ (44,804)
Less offset apportionment	-	-	-	-	-	-
Review finding	<u>\$ (8,649)</u>	<u>\$ (3,465)</u>	<u>\$ (8,869)</u>	<u>\$ (11,888)</u>	<u>\$ (11,933)</u>	<u>\$ (44,804)</u>

The parameters and guidelines (Section VII. Offsetting Savings and Reimbursements) state, "Reimbursement shall be offset by funding provided in the State Budget for the HSEE Program."

Recommendation

The HSEE Program was suspended in the FY 2015-16 Budget Act. Further, commencing in FY 2013-14, 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 HSEE Program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district ensure that all applicable reimbursements are offset against mandated program costs.