



BETTY T. YEE
California State Controller

July 8, 2016

John P. Collins, Ed.D., Superintendent
Poway Unified School District
15250 Avenue of Science
San Diego, CA 92128

Dear Dr. Collins:

The State Controller's Office performed a desk review of costs claimed by the Poway Unified 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, 2002, through June 30, 2003; 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 \$128,834 for the mandated program. Our review found that \$98,517 is allowable and \$30,317 is unallowable. The costs are unallowable because the district did not offset all of 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 \$98,517, contingent upon available appropriations.

We informed Joy Ramiro, Director of Finance, of the review finding via email on June 6, 2016. On June 8, 2016, we received a response from Ms. Ramiro that we could proceed with the issuance of the report.

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 the 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCFForm.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/rg

Attachments

RE: S16-MCC-9033

cc: Joy Ramiro, Director of Finance
Poway Unified School District
Brent Watson, Executive Director
Business Advisory Services
San Diego County Office of Education
Lora Duzyk, Assistant Superintendent
Business 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, 2002, through June 30, 2003;
and July 1, 2006, through June 30, 2008**

| Cost Elements | Actual Costs Claimed | Allowable per Review | Review Adjustment ¹ |
|--|-------------------------|-------------------------|-----------------------------------|
| <u>July 1, 2002, through June 30, 2003</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Documentation of adequate notice | \$ 73 | \$ 73 | \$ - |
| Determination of English language skills | 73 | 73 | - |
| HSEE administration | 10,313 | 10,313 | - |
| Test security | 2,804 | 2,804 | - |
| Reporting data to the Superintendent of Public Instruction | 74 | 74 | - |
| Total direct costs | 13,337 | 13,337 | - |
| Indirect costs | 604 | 604 | - |
| Total direct and indirect costs | 13,941 | 13,941 | - |
| Less offsetting reimbursements | (1,251) | (10,332) | (9,081) |
| Total program costs | <u>\$ 12,690</u> | 3,609 | <u>\$ (9,081)</u> |
| Less amount paid by the State | | - | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 3,609</u> | |
| <u>July 1, 2006, through June 30, 2007</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Adequate notice | \$ 970 | \$ 970 | \$ - |
| Documentation of adequate notice | 967 | 967 | - |
| Determination of English language skills | 603 | 603 | - |
| HSEE administration | 61,238 | 61,238 | - |
| Test security | 1,353 | 1,353 | - |
| Reporting data to the Superintendent of Public Instruction | 614 | 614 | - |
| Total direct costs | 65,745 | 65,745 | - |
| Indirect costs | 3,649 | 3,649 | - |
| Total direct and indirect costs | 69,394 | 69,394 | - |
| Less offsetting reimbursements | - | (10,391) | (10,391) |
| Total program costs | <u>\$ 69,394</u> | 59,003 | <u>\$ (10,391)</u> |
| Less amount paid by the State | | - | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 59,003</u> | |

Attachment 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Review | Review Adjustment ¹ |
|--|-------------------------|-------------------------|-----------------------------------|
| <u>July 1, 2007, through June 30, 2008</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Adequate notice | \$ 69 | \$ 69 | \$ - |
| HSEE administration | 43,057 | 43,057 | - |
| Test security | 1,419 | 1,419 | - |
| Total direct costs | 44,545 | 44,545 | - |
| Indirect costs | 2,205 | 2,205 | - |
| Total direct and indirect costs | 46,750 | 46,750 | - |
| Less offsetting reimbursements | - | (10,845) | (10,845) |
| Total program costs | <u>\$ 46,750</u> | 35,905 | <u>\$ (10,845)</u> |
| Less amount paid by the State | | - | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 35,905</u> | |
| <u>Summary: July 1, 2002, through June 30, 2003;</u> <u>and July 1, 2006, through June 30, 2008</u> | | | |
| Direct costs: | | | |
| Salaries and benefits: | | | |
| Adequate notice | \$ 1,039 | \$ 1,039 | \$ - |
| Documentation of adequate notice | 1,040 | 1,040 | - |
| Determination of English language skills | 676 | 676 | - |
| HSEE administration | 114,608 | 114,608 | - |
| Test security | 5,576 | 5,576 | - |
| Reporting data to the Superintendent of Public Instruction | 688 | 688 | - |
| Total direct costs | 123,627 | 123,627 | - |
| Indirect costs | 6,458 | 6,458 | - |
| Total direct and indirect costs | 130,085 | 130,085 | - |
| Less offsetting reimbursements | (1,251) | (31,568) | (30,317) |
| Total program costs | <u>\$ 128,834</u> | 98,517 | <u>\$ (30,317)</u> |
| Less amount paid by the State | | - | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 98,517</u> | |

¹ See Attachment 2, Review Results.

**Attachment 2—
Review Results
July 1, 2002, through June 30, 2003;
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 district 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—
Under-reported
offsetting
reimbursements**

The district reported \$1,251 in offsetting revenue received for the HSEE Program from the California Department of Education (CDE) for the period of July 1, 2002, through June 30, 2003; and July 1, 2006, through June 30, 2008. We found that the district should have offset \$31,568, resulting in an understatement of \$30,317.

Education Code section 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 \$31,568 from the CDE.

The following table summarizes the under-reported offsetting reimbursements for the review period:

| | Fiscal Year | | | Total |
|---------------------------|-------------------|--------------------|--------------------|--------------------|
| | 2002-03 | 2006-07 | 2007-08 | |
| HSEE apportionment | \$ (10,332) | \$ (10,391) | \$ (10,845) | \$ (31,568) |
| Less offset apportionment | (1,251) | - | - | (1,251) |
| Review finding | <u>\$ (9,081)</u> | <u>\$ (10,391)</u> | <u>\$ (10,845)</u> | <u>\$ (30,317)</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 fiscal year (FY) 2015-16 Budget Act. Further, 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 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.