



BETTY T. YEE
California State Controller

July 8, 2016

Lori Rhodes, Superintendent
Redlands Unified School District
20 W. Lugonia Avenue
Redlands, CA 92374

Dear Ms. Rhodes:

The State Controller's Office performed a desk review of costs claimed by the Redlands 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, 2000, through June 30, 2005; and July 1, 2006, through June 30, 2007. 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 \$70,102 for the mandated program. Our review found that \$27,581 is allowable and \$42,521 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 \$27,581, contingent upon available appropriations.

We informed Brian Guggisberg, Director of Fiscal Services, of the review finding via email on June 1, 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 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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-9032

cc: Brian Guggisberg, Director of Fiscal Services
Redlands Unified School District
Cynna Hinkle, Director
Business Advisory Services
San Bernardino County Office of Education
Peter Foggato, 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, 2005;
and July 1, 2006, through June 30, 2007**

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:			
Adequate notice	\$ 363	\$ 363	\$ -
Documentation of adequate notice	1,937	1,937	-
Determination of English language skills	484	484	-
HSEE administration	1,211	1,211	-
Test security	3,874	3,874	-
Total direct costs	7,869	7,869	-
Indirect costs	414	414	-
Total direct and indirect costs	8,283	8,283	-
Less offsetting reimbursements	-	(9,894)	(9,894)
Subtotal	8,283	(1,611)	(9,894)
Adjustment to eliminate negative balance	-	1,611	1,611
Total program costs	<u>\$ 8,283</u>	-	<u>\$ (8,283)</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:			
Adequate notice	\$ 372	\$ 372	\$ -
Documentation of adequate notice	1,987	1,987	-
Determination of English language skills	497	497	-
HSEE administration	1,242	1,242	-
Test security	5,959	5,959	-
Total direct costs	10,057	10,057	-
Indirect costs	372	372	-
Total direct and indirect costs	10,429	10,429	-
Less offsetting reimbursements	-	(2,454)	(2,454)
Total program costs	<u>\$ 10,429</u>	7,975	<u>\$ (2,454)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,975</u>	

Attachment 1 (continued)

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:			
Adequate notice	\$ 372	\$ 372	\$ -
Documentation of adequate notice	1,987	1,987	-
Determination of English language skills	497	497	-
HSEE administration	1,242	1,242	-
Test security	7,449	7,449	-
Total direct costs	11,547	11,547	-
Indirect costs	630	630	-
Total direct and indirect costs	12,177	12,177	-
Less offsetting reimbursements	-	(8,469)	(8,469)
Total program costs	<u>\$ 12,177</u>	3,708	<u>\$ (8,469)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,708</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Adequate notice	\$ 378	\$ 378	\$ -
Documentation of adequate notice	2,015	2,015	-
Determination of English language skills	504	504	-
HSEE administration	1,260	1,260	-
Test security	5,542	5,542	-
Total direct costs	9,699	9,699	-
Indirect costs	585	585	-
Total direct and indirect costs	10,284	10,284	-
Less offsetting reimbursements	-	(5,588)	(5,588)
Total program costs	<u>\$ 10,284</u>	4,696	<u>\$ (5,588)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,696</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:			
Adequate notice	\$ 405	\$ 405	\$ -
Documentation of adequate notice	2,160	2,160	-
Determination of English language skills	540	540	-
HSEE administration	1,350	1,350	-
Test security	8,100	8,100	-
Total direct costs	12,555	12,555	-
Indirect costs	557	557	-
Total direct and indirect costs	13,112	13,112	-
Less offsetting reimbursements	-	(7,782)	(7,782)
Total program costs	<u>\$ 13,112</u>	5,330	<u>\$ (7,782)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,330</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits:			
Adequate notice	\$ 434	\$ 434	\$ -
Documentation of adequate notice	2,313	2,313	-
Determination of English language skills	578	578	-
HSEE administration	1,446	1,446	-
Test security	10,359	10,359	-
Total direct costs	15,130	15,130	-
Indirect costs	687	687	-
Total direct and indirect costs	15,817	15,817	-
Less offsetting reimbursements	-	(9,945)	(9,945)
Total program costs	<u>\$ 15,817</u>	5,872	<u>\$ (9,945)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,872</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2000, through June 30, 2005;</u>			
<u>and July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits:			
Adequate notice	\$ 2,324	\$ 2,324	\$ -
Documentation of adequate notice	12,399	12,399	-
Determination of English language skills	3,100	3,100	-
HSEE administration	7,751	7,751	-
Test security	41,283	41,283	-
Total direct costs	66,857	66,857	-
Indirect costs	3,245	3,245	-
Total direct and indirect costs	70,102	70,102	-
Less offsetting reimbursements	-	(44,132)	(44,132)
Subtotal	70,102	25,970	(44,132)
Adjustment for negative balance	-	1,611	1,611
Total program costs	<u>\$ 70,102</u>	27,581	<u>\$ (42,521)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 27,581</u>	

¹ See Attachment 2, Review Results.

**Attachment 2—
Review Results
July 1, 2000, through June 30, 2005;
and July 1, 2006, through June 30, 2007**

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—
Unreported offsetting
reimbursements**

The district did not report the HSEE Program apportionments received from the California Department of Education (CDE), totaling \$44,132, for the period of July 1, 2000, through June 30, 2005; and July 1, 2006, through June 30, 2007.

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 \$44,132 from the CDE.

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

	Fiscal Year						Total
	2000-01	2001-02	2002-03	2003-04	2004-05	2006-07	
HSEE apportionment	\$ (9,894)	\$ (2,454)	\$ (8,469)	\$ (5,588)	\$ (7,782)	\$ (9,945)	\$ (44,132)
Less offset apportionment	-	-	-	-	-	-	-
Review finding	<u>\$ (9,894)</u>	<u>\$ (2,454)</u>	<u>\$ (8,469)</u>	<u>\$ (5,588)</u>	<u>\$ (7,782)</u>	<u>\$ (9,945)</u>	<u>\$ (44,132)</u>

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.