



BETTY T. YEE
California State Controller

August 4, 2016

Timothy Glover, Ed.D., Superintendent
Grossmont Union High School District
PO Box 1043
La Mesa, CA 91944

Dear Dr. Glover:

The State Controller's Office performed a desk review of costs claimed by the Grossmont 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, 2001; 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 \$289,921 for the mandated program. Our review found that \$226,285 is allowable and \$63,636 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 \$226,285, contingent upon available appropriations.

We informed Ken Leighton, Executive Director of Fiscal Services, of the review finding via email on July 13, 2016. On July 18, 2016, Mr. Leighton responded thanking us for the information and noting that he will update his records.

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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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/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/rg

Attachments

RE: S17-MCC-9000

cc: Scott Patterson, Deputy Superintendent
Business Services, Grossmont Union High School District
Ken Leighton, Executive Director
Fiscal Services, Grossmont Union High School District
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, 2001;
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:			
Adequate notice	\$ 1,264	\$ 1,264	\$ -
Determination of English language skills	9,793	9,793	-
HSEE administration	17,241	17,241	-
Test security	274	274	-
Reporting data to the Superintendent of Public Instruction	127	127	-
Total salaries and benefits	<u>28,699</u>	<u>28,699</u>	-
Materials and supplies:			
Adequate notice	2,979	2,979	-
HSEE administration	1,278	1,278	-
Total materials and supplies	<u>4,257</u>	<u>4,257</u>	-
Total direct costs	32,956	32,956	-
Indirect costs	<u>1,673</u>	<u>1,673</u>	-
Total direct and indirect costs	34,629	34,629	-
Less offsetting reimbursements	<u>(17,169)</u>	<u>(25,626)</u>	<u>(8,457)</u>
Total program costs	<u>\$ 17,460</u>	9,003	<u>\$ (8,457)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,003</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits:			
Adequate notice	\$ 9,882	\$ 9,882	\$ -
Documentation of adequate notice	5,478	5,478	-
Determination of English language skills	3,463	3,463	-
HSEE administration	143,087	143,087	-
Test security	3,993	3,993	-
Reporting data to the Superintendent of Public Instruction	1,494	1,494	-
Total direct costs	167,397	167,397	-
Indirect costs	<u>8,420</u>	<u>8,420</u>	-
Total direct and indirect costs	175,817	175,817	-
Less offsetting reimbursements	-	<u>(27,202)</u>	<u>(27,202)</u>
Total program costs	<u>\$ 175,817</u>	148,615	<u>\$ (27,202)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 148,615</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	\$ 2,961	\$ 2,961	\$ -
Documentation of adequate notice	2,091	2,091	-
Determination of English language skills	1,093	1,093	-
HSEE administration	84,385	84,385	-
Test security	2,590	2,590	-
Reporting data to the Superintendent of Public Instruction	536	536	-
Total direct costs	93,656	93,656	-
Indirect costs	2,988	2,988	-
Total direct and indirect costs	96,644	96,644	-
Less offsetting reimbursements	-	(27,977)	(27,977)
Total program costs	<u>\$ 96,644</u>	68,667	<u>\$ (27,977)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,667</u>	
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2006, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits:			
Adequate notice	\$ 14,107	\$ 14,107	\$ -
Documentation of adequate notice	7,569	7,569	-
Determination of English language skills	14,349	14,349	-
HSEE administration	244,713	244,713	-
Test security	6,857	6,857	-
Reporting data to the Superintendent of Public Instruction	2,157	2,157	-
Total salaries and benefits	289,752	289,752	-
Materials and supplies:			
Adequate notice	2,979	2,979	-
HSEE administration	1,278	1,278	-
Total materials and supplies	4,257	4,257	-
Total direct costs	294,009	294,009	-
Indirect costs	13,081	13,081	-
Total direct and indirect costs	307,090	307,090	-
Less offsetting reimbursements	(17,169)	(80,805)	(63,636)
Total program costs	<u>\$ 289,921</u>	226,285	<u>\$ (63,636)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 226,285</u>	

¹ See Attachment 2, Review Results.

**Attachment 2—
Review Results
July 1, 2000, through June 30, 2001;
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, HSEE 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 revenue**

The district reported \$17,169 in offsetting revenue received for the HSEE Program from the California Department of Education (CDE) for the period of July 1, 2000, through June 30, 2001; and July 1, 2006, through June 30, 2008. We found that the district should have offset \$80,805, resulting in an understatement of \$63,636.

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 \$80,805 from the CDE.

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

	Fiscal Year			Total
	2000-01	2006-07	2007-08	
HSEE apportionment	\$ (25,626)	\$ (27,202)	\$ (27,977)	\$ (80,805)
Less offset apportionment	(17,169)	-	-	(17,169)
Review finding	\$ (8,457)	\$ (27,202)	\$ (27,977)	\$ (63,636)

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.