



BETTY T. YEE
California State Controller

October 27, 2016

Steven Martinez, Ed.D., Superintendent
Twin Rivers Unified School District
5115 Dudley Boulevard, Bay B
McClellan, CA 95652

Dear Dr. Martinez:

The State Controller's Office performed a desk review of costs claimed by the Twin Rivers 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, 2006, through June 30, 2009; and July 1, 2010, through June 30, 2012. We did not review the costs claimed for the period of July 1, 2009, through June 30, 2010, as the statute of limitations to adjust the claim has expired. 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 \$391,662 for the mandated program. Our review found that \$310,407 is allowable (\$317,150 less a \$6,743 penalty for filing a late claim) and \$81,255 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 \$310,407, contingent upon available appropriations.

We informed Kate Ingersoll, Executive Director of Fiscal Services, of the review finding via email on October 5, 2016. On October 11, 2016, Ms. Ingersoll responded that she had no questions regarding the finding.

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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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

Attachments

RE: S17-MCC-9004

cc: Kate Ingersoll, Executive Director
Fiscal Services, Twin Rivers Unified School District
Tamara Sanchez, Assistant Superintendent
Business Services, Sacramento 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, 2006, through June 30, 2009;
and July 1, 2010, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
HSEE administration	\$ 82,838	\$ 82,838	\$ -
Reporting data to the Superintendent of Public Instruction	18,662	18,662	-
Total direct costs	101,500	101,500	-
Indirect costs	7,917	7,917	-
Total direct and indirect costs	109,417	109,417	-
Less offsetting reimbursements	-	(14,043)	(14,043)
Total program costs	<u>\$ 109,417</u>	95,374	<u>\$ (14,043)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 95,374</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
HSEE administration	\$ 56,699	\$ 56,699	\$ -
Reporting data to the Superintendent of Public Instruction	19,249	19,249	-
Total direct costs	75,948	75,948	-
Indirect costs	4,307	4,307	-
Total direct and indirect costs	80,255	80,255	-
Less offsetting reimbursements	-	(15,335)	(15,335)
Total program costs	<u>\$ 80,255</u>	64,920	<u>\$ (15,335)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 64,920</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
HSEE administration	\$ 71,844	\$ 71,844	\$ -
Test security	5,422	5,422	-
Total direct costs	77,266	77,266	-
Indirect costs	5,563	5,563	-
Total direct and indirect costs	82,829	82,829	-
Less offsetting reimbursements	-	(15,399)	(15,399)
Subtotal	82,829	67,430	(15,399)
Less late filing penalty ²	-	(6,743)	(6,743)
Total program costs	<u>\$ 82,829</u>	60,687	<u>\$ (22,142)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,687</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
HSEE administration	\$ 48,002	\$ 48,002	\$ -
Test security	5,431	5,431	-
Total direct costs	53,433	53,433	-
Indirect costs	4,301	4,301	-
Total direct and indirect costs	57,734	57,734	-
Less offsetting reimbursements	-	(15,671)	(15,671)
Total program costs	<u>\$ 57,734</u>	42,063	<u>\$ (15,671)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 42,063</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
HSEE administration	\$ 52,593	\$ 52,593	\$ -
Test security	5,265	5,265	-
Total direct costs	57,858	57,858	-
Indirect costs	3,569	3,569	-
Total direct and indirect costs	61,427	61,427	-
Less offsetting reimbursements	-	(14,064)	(14,064)
Total program costs	<u>\$ 61,427</u>	47,363	<u>\$ (14,064)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,363</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2006, through June 30, 2009; and July 1, 2010, through June 30, 2012</u>			
Direct costs:			
HSEE administration	\$ 311,976	\$ 311,976	\$ -
Test security	16,118	16,118	-
Reporting data to the Superintendent of Public Instruction	37,911	37,911	-
Total direct costs	366,005	366,005	-
Indirect costs	25,657	25,657	-
Total direct and indirect costs	391,662	391,662	-
Less offsetting reimbursements	-	(74,512)	(74,512)
Subtotal	391,662	317,150	(74,512)
Less late filing penalty ²	-	(6,743)	(6,743)
Total program costs	<u>\$ 391,662</u>	310,407	<u>\$ (81,255)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 310,407</u>	

¹ See Attachment 2, Review Results.

² The district filed its fiscal year 2008-09 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000.

**Attachment 2—
Review Results
July 1, 2006, through June 30, 2009;
and July 1, 2010, through June 30, 2012**

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 Title 5, *California Code of Regulations*, 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 \$74,512, for the period of July 1, 2006, through June 30, 2009; and July 1, 2010, through June 30, 2012.

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 \$74,512 from the CDE.

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

	Fiscal Year					Total
	2006-07	2007-08	2008-09	2010-11	2011-12	
HSEE apportionment	\$ (14,043)	\$(15,335)	\$(15,399)	\$(15,671)	\$(14,064)	\$(74,512)
Less offset apportionment	-	-	-	-	-	-
Review finding	<u>\$ (14,043)</u>	<u>\$(15,335)</u>	<u>\$(15,399)</u>	<u>\$(15,671)</u>	<u>\$(14,064)</u>	<u>\$(74,512)</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.