PALM SPRINGS
UNIFIED SCHOOL DISTRICT

Final Audit Report

PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND GRANT EXPENDITURES

July 1, 2018, through December 31, 2021

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

July 2026

S23-P47-0002

STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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Malia M. Cohen
California State Controller

July 8, 2026

Ms. Karen Cornett, President
Board of Education
Palm Springs Unified School District
150 District Center Drive
Palm Springs, CA 92264

Dear Ms. Cornett:

The State Controller's Office conducted a performance audit of the Palm Springs Unified School District's Proposition 47 Safe Neighborhoods and Schools Fund grant expenditures for the period of July 1, 2018, through December 31, 2021.

If you have any questions regarding this report, please contact Roochel Espilla, Chief, State Agency Audits Bureau by telephone at 916-323-5744. Thank you.

Sincerely,

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

Copy: Charlie E. Ervin Jr., Clerk
Board of Education
Palm Springs Unified School District
Sergio Espericueta, Member
Board of Education
Palm Springs Unified School District

John Gerardi, Member
Board of Education
Palm Springs Unified School District
Madonna Gerrell, Member
Board of Education
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Marcus Funchess, Ed.D., Superintendent
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Tony Carrillo Jr., Director
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California Department of Education
Teri Alves, Education Programs Consultant
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California Department of Education

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SUMMARY

The State Controller's Office (SCO) conducted a performance audit of the Palm Springs Unified School District's (PSUSD) Proposition 47 Safe Neighborhoods and Schools Fund grant expenditures for the period of July 1, 2018, through December 31, 2021. The purpose of the audit, as required by Government Code (GC) section 7599.2(c), was to determine whether Proposition 47 grant funds were disbursed and expended in accordance with program guidelines and grant requirements, and with applicable laws and regulations.

Our audit determined that during the audit period, the California Department of Education (CDE) awarded PSUSD with $1,402,276 in Proposition 47 grant funds. We also determined that PSUSD expended $1,402,274 in Proposition 47 grant funds ($145,769 in fiscal year [FY] 2018-19, $558,955 in FY 2019-20, $543,067 in FY 2020-21, and $154,483 in FY 2021-22).

Our audit found instances in which PSUSD did not disburse or expend Proposition 47 grant funds in accordance with program guidelines and grant requirements. Specifically, we found that PSUSD lacked adequate documentation to support a total of $1,232,881 in salaries and benefits, and indirect costs charged to the Proposition 47 Grants Program.

BACKGROUND

<u>Proposition 47 – Safe Neighborhoods and Schools Fund</u>

On November 4, 2014, California voters approved Proposition 47, which reduces penalties for certain offenders convicted of nonserious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. Proposition 47 established the Safe Neighborhoods and Schools Fund, which is funded by savings that accrue to the State from implementation of the measure. This mandate is expected to save significant state corrections dollars annually.

Savings resulting from Proposition 47 are transferred from the General Fund to the Safe Neighborhoods and Schools Fund to be used in support of truancy reduction and drop-out prevention programs for public school pupils in kindergarten through grade 12, increase victim services grants, and support substance abuse and mental health treatment and diversion programs for people in the criminal justice system.

Palm Springs Unified School District

PSUSD, located in Riverside County, operated 28 schools including 16 elementary schools, five middle schools, four high schools, and three alternative education high schools during the grant period.

In FY 2018-19, CDE awarded PSUSD with $1,402,276 from the Proposition 47 Grants Program through a competitive bid process. The funding period was from July 1, 2018, through June 30, 2021.

PSUSD used its grant to implement the Learning Communities for School Success Program (LCSSP), established by Assembly Bill 1014 (Statutes of 2016). LCSSP supports evidence-based, non-punitive education programs and practices to help the most vulnerable students in school. All 28 PSUSD schools received program services through LCSSP.

In response to the COVID-19 pandemic, CDE extended the Proposition 47 Grants Program's award end date from June 30, 2021, to December 31, 2021. The extension was communicated to the PSUSD superintendent in February 2021.

AUDIT AUTHORITY

We conducted this audit in accordance with GC section 7599.2(c), which requires the SCO, every two years, to conduct an audit of the Proposition 47 Grants Program operated by CDE to ensure that “the funds are disbursed and expended solely according to this chapter” and to report its findings to the Legislature. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether PSUSD disbursed and expended Proposition 47 grant funds in accordance with program guidelines and grant requirements, and with applicable laws and regulations. The audit period was July 1, 2018, through December 31, 2021.

To achieve our objective, we performed the following procedures:

- We identified the Proposition 47 Grants Program background, criteria, purpose, and requirements by reviewing GC sections 7599 through 7599.2 and the California Department of Finance fund classification and basis for the Safe Neighborhoods and Schools Fund.
- We reviewed PSUSD’s Proposition 47 grant files and agreements, program guidelines and requirements, and invoices.
- We reviewed PSUSD’s claimed Proposition 47 grant expenditures and performed analytical procedures and budgetary analyses to identify material cost components of each claim, any errors, and any unusual or unexpected variances.

- We interviewed PSUSD's key personnel; completed internal control questionnaires; obtained documents and records; reviewed policies and procedures, guidelines, grant agreements, grant processes; and traced transactions and activities through the system in order to gain an understanding of PSUSD's internal controls related to the Proposition 47 Grants Program; and we identified controls significant to our audit objective.

  Our consideration of internal control was for the limited purpose described in the previous paragraph and determining the auditing procedures that were appropriate under the circumstances for the purpose of providing a conclusion based on our audit objective.

- We assessed the design and implementation of controls over PSUSD processes for certificated and classified personnel salaries, material and supplies, travel and conferences, instructional consultant costs, and indirect costs.

- We verified that, during the audit period, CDE awarded PSUSD with $1,402,276 in Proposition 47 grant funds. Of the awarded amount, $1,402,275 was disbursed ($467,425 in FY 2018-19, $467,425 in FY 2019-20, $467,425 in FY 2020-21, and none in FY 2021-22).

- We verified that PSUSD expended a total of $1,402,274 in Proposition 47 grant funds ($145,769 in FY 2018-19, $558,955 in FY 2019-20, $543,067 in FY 2020-21, and $154,483 in FY 2021-22).

- We selected a sample of transactions using judgmental (non-statistical) sampling and:

  - Traced the transactions to supporting documentation, and performed analytical procedures and budgetary analyses; and

  - Tested compliance with applicable laws, regulations, internal policies and procedures, and program requirements.

Our audit procedures included interviewing appropriate personnel and inspecting documents, records, and grant agreements.

We chose judgmental sampling because it allows us to achieve our objectives for tests of compliance in an efficient and effective manner, and because we did not project the results to the intended (total) population.

- We tested $188,628 of $1,402,274 in total claimed program costs as follows:
    - Certificated personnel salaries – We tested $1,078 (or 0.4 percent) of $307,292;
    - Classified personnel salaries – We tested $57,777 (or 12 percent) of $486,849;
    - Materials and supplies – We tested $43,766 (or 62 percent) of $70,126;
    - Travel and conferences – We tested $926 (or six percent) of $15,162;
    - Instructional consultant costs – We tested $19,767 (or 31 percent) of $64,530; and
    - Indirect costs – We tested all $65,314.
- We assessed the reliability of computer-processed data for Proposition 47 grant expenditures by interviewing PSUSD officials knowledgeable about the data; reviewing existing information about the data and the system that produced it; and tracing data to source documents, based on judgmental sampling. We determined that the data was sufficiently reliable for the purposes of this report.

Our audit of PSUSD's Proposition 47 grant funds was limited to ensuring that funds were disbursed and expended solely according to statutory requirements, pursuant to GC section 7599.2(c). We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objective. We did not examine the information-system controls or the economy, efficiency, or effectiveness of the Proposition 47 Grants Program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

CONCLUSION

We found instances in which PSUSD did not disburse or expend Proposition 47 grant funds in accordance with program guidelines and grant requirements. Specifically, we found that PSUSD lacked adequate documentation to support a total of $1,232,881 in salaries and benefits, and indirect costs charged to the Proposition 47 Grants Program.

These instances of noncompliance are quantified in Schedules 1 and 2, and described in the Finding and Recommendation section.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

We have not previously conducted an audit of PSUSD's Proposition 47 grants expenditures.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on March 3, 2026. PSUSD's representative responded by letter dated March 11, 2026. PSUSD acknowledged the audit results, indicated that it has taken steps to correct the deficiencies noted, and provided additional context. Our comments on PSUSD's response are included in the Finding and Recommendation section. This final audit report includes PSUSD's response as an attachment.

RESTRICTED USE

This report is solely for the information and use of PSUSD, CDE, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

July 8, 2026

SCHEDULE 1—SUMMARY OF GRANT AWARD, AMOUNTS DISBURSED AND EXPENDED, AND AUDIT ADJUSTMENTS

July 1, 2018, through December 31, 2021

The following table summarizes the grant award, the amounts disbursed and expended, and the audit adjustments during the audit period (monetary amounts are rounded to the nearest whole dollar):

Fiscal Year	Amount Awarded	Amount Disbursed	Amount Expended	Amount Allowable	Audit Adjustment
2018-19	$1,402,276	$467,425	$145,769	$39,631	$106,138
2019-20	0	467,425	558,955	71,606	487,349
2020-21	0	467,425	543,067	56,206	486,861
2021-22	0	0	154,483	1,950	152,533
Total	**$1,402,276**	**$1,402,275**	**$1,402,274**	**$169,393**	**$1,232,881**

SCHEDULE 2—PROGRAM COSTS BY FISCAL YEAR

July 1, 2018, through June 30, 2019

Program Cost Element	Amount Expended	Amount Allowable	Audit Adjustment	Reference
Direct costs:				
Certificated personnel salaries	$11,263	$0	$11,263	Finding
Classified personnel salaries	58,270	0	58,270	Finding
Employee benefits	31,532	0	31,532	Finding
Materials and supplies	4,512	4,512	0	
Non-capitalized equipment	9,117	9,117	0	
Travel and conferences	3,545	3,545	0	
Insurance	765	765	0	
Interprogram services	30	30	0	
Instructional consultant costs	19,767	19,767	0	
Total direct costs	138,801	37,736	101,065	
Total indirect costs	6,968	1,895	5,073	Finding
Total program costs	**$145,769**	**$39,631**	**$106,138**	

July 1, 2019, through June 30, 2020

Program Cost Element	Amount Expended	Amount Allowable	Audit Adjustment	Reference
Direct costs:				
Certificated personnel salaries	$103,858	$0	$103,858	Finding
Classified personnel salaries	208,859	0	208,859	Finding
Employee benefits	153,512	0	153,512	Finding
Materials and supplies	59,069	59,069	0	
Non-capitalized equipment	1,514	1,514	0	
Travel and conferences	7,586	7,586	0	
Insurance	235	235	0	
Interprogram services	50	50	0	
Instructional consultant costs	49	49	0	
Total direct costs	534,732	68,503	466,229	
Total indirect costs	24,223	3,103	21,120	Finding
Total program costs	**$558,955**	**$71,606**	**$487,349**	

July 1, 2020, through June 30, 2021

Program Cost Element	Amount Expended	Amount Allowable	Audit Adjustment	Reference
Direct costs:				
Certificated personnel salaries	$152,334	$0	$152,334	Finding
Classified personnel salaries	162,973	0	162,973	Finding
Employee benefits	147,533	0	147,533	Finding
Materials and supplies	6,233	6,233	0	
Non-capitalized equipment	0	0	0	
Travel and conferences	2,485	2,485	0	
Insurance	0	0	0	
Interprogram services	0	0	0	
Instructional consultant costs	44,714	44,714	0	
Total direct costs	516,272	53,432	462,840	
Total indirect costs	26,795	2,774	24,021	Finding
Total program costs	**$543,067**	**$56,206**	**$486,861**	

July 1, 2021, through December 31, 2021

Program Cost Element	Amount Expended	Amount Allowable	Audit Adjustment	Reference
Direct costs:				
Certificated personnel salaries	$39,837	$0	$39,837	Finding
Classified personnel salaries	56,747	0	56,747	Finding
Employee benefits	48,713	0	48,713	Finding
Materials and supplies	312	312	0	
Non-capitalized equipment	0	0	0	
Travel and conferences	1,546	1,546	0	
Insurance	0	0	0	
Interprogram services	0	0	0	
Instructional consultant costs	0	0	0	
Total direct costs	147,155	1,858	145,297	
Total indirect costs	7,328	92	7,236	Finding
Total program costs	**$154,483**	**$1,950**	**$152,533**	

FINDING AND RECOMMENDATION

Finding—Unsupported Salaries and Benefits, and Indirect Costs

PSUSD lacked adequate internal controls over record retention and payroll processes related to salaries and benefits charged to the Proposition 47 Grants Program. PSUSD also lacked sufficient time accounting records for full-time employees, which impeded our ability to verify the accuracy of the salaries and benefits charged during the audit period. As a result, a total of $1,232,881 in claimed costs was unsupported.

In addition, although timecards were used for employees working extra hours, our audit revealed that PSUSD did not adequately segregate duties with respect to these activities. PSUSD routinely authorized extra employee time based on prior management approvals, rather than on verification of the actual completion of grant-related activities. Inadequate oversight of the extra time costs could indicate that personnel costs were authorized without complete documentation, and without verification that claimed costs were accurate and compliant with grant terms and Proposition 47 Grants Program guidelines.

We questioned a total of $1,232,881 in claimed costs during the audit period. These costs include $307,292 in certificated personnel salaries, $486,849 in classified personnel salaries, $381,290 in employee benefits, and $57,450 in indirect costs.

<u>Lack of time accounting records</u>

Our audit disclosed that PSUSD did not require employees who worked solely on Proposition 47 Grants Program activities to maintain time accounting records or periodic certification associated with the salaries charged to the Proposition 47 Grants Program. Although it appeared that employees contributed to the grant program, without the required documentation we could not verify that charges to the Proposition 47 Grants Program for salaries and benefits were:

- Based on records that accurately reflect the work performed;
- Based on actual time spent and effort expended by the Proposition 47 grant-funded employees;
- For activities directly related to work under the program; or
- For employees who worked solely on Proposition 47 Grants Program activities.

Inadequate controls over extra work time

PSUSD required employees to submit timecards to track the extra hours worked; the timecards were then processed by payroll staff. However, we discovered an instance in which 22 hours of extra time were mistakenly allocated to a teacher for the Proposition 47 Grants Program, even though the teacher had worked only one extra hour. This misallocation resulted in an erroneous charge of $1,078.22 (22 hours × $49.01 hourly rate) instead of the correct $49.01, leading to an overcharge of $1,029.21.

Our audit further revealed that the same payroll staff member who calculated extra time salaries was also responsible for data entry and payroll reconciliation, with no supervisory review. Furthermore, during the same period, the two-person payroll team faced substantial workload demands, processing 1,362 timecards under tight deadlines. This situation significantly increased the risk of errors and unauthorized transactions, which were not adequately prevented, detected, or corrected.

Criteria

The subsection “Salaries and Wages Charged to State Funded Programs,” on page 905-11 of Procedure 905 in CDE’s *California School Accounting Manual* (2019 edition; procedure revised January 2019) states, in part:

> LEAs [Local educational agencies] are required to provide supporting documentation for salaries and wages charged to state restricted programs (resources). Documentation is also required for certain state unrestricted activities, such as when the activity has specific documentation requirements (e.g., state mandated programs), or when salaries and wages are charged to a specific program (goal), or when salaries and wages are split between a direct cost and an indirect cost activity (function).
>
> As with federal programs, the level of documentation needed to charge salaries and wages to a state program or activity is predominantly determined by whether the employee works on a single cost objective or on multiple cost objectives. LEAs must also consider any specific documentation requirements a state program may have, such as if a program requires the use of the state documented method (to be discussed next) or if a program has specific limitations or requirements regarding the type(s) of services provided, such as direct services to students. . . .

The subsection “The State Documented Method,” on page 905-12 of Procedure 905 in CDE’s *California School Accounting Manual* states, in part:

> Salaries and wages paid from state restricted funds must have supporting documentation conforming to either the federal documentation method or the alternative

> state documented method. For the state documented method to be used, the following criteria must be met:
>
> 1. The specific costs would not occur if the program being documented were discontinued.
> 2. The costs must be supported by auditable documentation, including time reports and contemporaneous records of activities.
> 3. All parts of the product or service (e.g., a position or service contract) must be documented.
>
> Unless stated otherwise in the guidance following, personnel whose costs are being documented under the state documented method must complete an activity worksheet. . . .

Subsection G.4., "Record Retention," of Section II. in CDE's *Learning Communities for School Success Program, Cohort 2 Program Support Grant: Request for Applications* (LCSSP RFA) states, in part:

> Grant recipients shall maintain accounting records and documentation of costs incurred during the grant award period and for five full years from the date of the final grant payment. . . .

Subsection D, "Personnel Requirements," of Section III. in CDE's LCSSP RFA states, in part:

> 1. **Project Coordinator.** A single LCSSP Project Coordinator **must be identified for each grant.** The duties of the LCSSP Project Coordinator may include, but are not limited to:
>
>   a. Provide overall coordination of project staff and activities, as well as provide direct services to youth.

b. Ensure that all project funds expended or obligated are allowable costs and in compliance with the approved budget.

c. Maintain required documentation of project services, activities, accomplishments, and program records. . . .

PSUSD's Board Policy 3460: Financial Reports and Accountability states, "The Superintendent or designee shall establish a system of ongoing internal controls to ensure the reliability of financial reporting."

Recommendation

We recommend that PSUSD:

- Prepare and maintain sufficient documentation to substantiate payroll costs in accordance with the accounting guidelines presented in the CDE's *California School Accounting Manual*, and comply with the grant agreement;

- Ensure that all costs charged to the Proposition 47 Grants Program are program-related, eligible, allowable, supported, reasonable, and in accordance with grant agreement and program requirements;

- Separate conflicting payroll function duties to the greatest extent possible. Adequate segregation of duties will provide a stronger system of internal control whereby the functions of each employee are subject to the review of another. If it is not possible to segregate payroll functions fully and appropriately, PSUSD should implement compensating controls. For example, if the payroll staff member responsible for auditing employee timesheets and entering records into the payroll system also performs a reconciliation process, then the supervisor should perform and document a detailed review of the reconciliation to address the weaknesses resulting from the assignment of conflicting functions; and

- Work with CDE to return $1,232,881 in unsupported salaries, benefits, and related indirect costs and $1,078 in erroneous payroll expenditures.

PSUSD's Response

Regarding the unsupported costs, PSUSD stated:

> [PSUSD] acknowledges that during the audit period, documentation practices related to time accounting did not fully align with the contemporaneous time documentation standards described in the California School Accounting Manual (CSAM).
>
> However, the District respectfully notes that the questioned costs appear to reflect a **documentation limitation rather than evidence that the underlying services were not performed or that the expenditures were unallowable under the program** [emphasis in original].
>
> During the audit process, the District provided documentation supporting the implementation of the Learning Communities for School Success Program (LCSSP), including records demonstrating program implementation, staff assignments, and services delivered in support of the grant objectives. Staff funded through the program were assigned to provide student support services designed to reduce truancy, improve student engagement, and provide targeted interventions for students at risk of involvement with the juvenile justice system.
>
> While the documentation provided during the audit may not have met the contemporaneous time accounting standard required to verify salary allocations under CSAM, the District maintains that employees funded through the grant were performing services aligned with the program's objectives during the audit period and have provided Personnel Activity Reports to your office for staff funded by the grant. . . .
>
> Because the employees charged to the grant were assigned to program activities supporting the Learning Communities for School Success Program, the District

respectfully believes the questioned costs should be considered in the context of documentation limitations rather than evidence that program services were not delivered.

Regarding the erroneous charge for extra time, PSUSD stated:

During the District's internal review of payroll records associated with the audit period, the District identified one confirmed payroll coding error related to extra-duty time totaling $1,029.21, which the District acknowledges and has taken steps to correct.

Regarding internal control improvements, PSUSD stated:

Since the period covered by the audit, [PSUSD] has implemented several internal control improvements to strengthen payroll documentation, grant oversight, and compliance with CSAM documentation standards.

Personnel Activity Reporting (PAR)

The District has implemented a timely Personnel Activity Report (PAR) process for employees funded through categorical programs. This process includes:

- Semi-annual certifications for employees funded 100 percent by a single grant program
- Monthly PAR documentation for employees funded by multiple cost objectives
- Employee certification of time worked
- Supervisor review and approval
- Retention of documentation by the Grant Accountant

These procedures ensure compliance with **CSAM** [emphasis in original] requirements for time accounting documentation supporting salary allocations to restricted programs.

Payroll Internal Control Enhancements

The District has strengthened payroll internal controls since the audit period by implementing the following improvements:

- Increasing payroll staffing from four payroll specialists to six payroll specialists
- Implementing supervisory review of payroll exception reports prior to payroll approval
- Enhancing verification procedures for funding strings used in payroll processing
- Strengthening segregation of duties within payroll processing

These improvements have strengthened payroll oversight and internal controls and have helped reduce the likelihood of payroll coding errors while improving the District's ability to identify and correct discrepancies when they occur.

Implementation of Electronic Timekeeping System

[PSUSD] has transitioned from manual timecards to an electronic timekeeping system that includes:

- Employee certification of hours worked
- Supervisor approval within the system
- Budget review of funding sources prior to payroll processing
- Payroll verification procedures

These improvements have strengthened payroll documentation and enhanced oversight of employee time reporting. The electronic timekeeping system also provides additional safeguards designed to reduce payroll coding errors and improve the timely identification and correction of discrepancies, thereby strengthening the reliability of payroll allocations moving forward.

Grant Monitoring Improvements

Additional improvements implemented since the audit period include:

- Centralized grant documentation maintained by the Grant Accountant
- Accounting review of categorical expenditures for allowability
- Budget review of payroll coding charged to restricted programs
- Program administrator oversight of grant-funded activities

These improvements have strengthened the District's internal control environment and improved documentation practices related to grant administration.

District Commitment to Compliance

[PSUSD] remains committed to maintaining strong internal controls and ensuring that all grant expenditures are allowable, reasonable, program-related, and properly documented.

The District has taken meaningful steps to strengthen documentation practices and payroll oversight to ensure compliance with CSAM requirements and applicable grant program standards moving forward.

SCO Comment

Our finding and recommendation remain unchanged. PSUSD acknowledged the finding and indicated that it has initiated corrective actions.

In its response, PSUSD also acknowledges that its practices did not align with the documentation requirements of the *California School Accounting Manual*; however, it requests that we consider these questioned costs as a documentation limitation rather than as evidence that services were not delivered.

Adequate documentation is a fundamental requirement for demonstrating that costs are allowable and properly incurred. As described in the finding, due to the absence of sufficient supporting documentation, we were not able to verify that the services were actually performed; or that the salaries and benefits were reasonable and complied with Proposition 47 Grants Program requirements.

We questioned the costs because PSUSD was unable to substantiate that the expenditures met the requirements. Without adequate support, these costs do not meet the documentation and accountability thresholds established by the *California School Accounting Manual*.

PSUSD also stated that documentation demonstrating LCSSP implementation, staff assignments, and services delivered had been provided to SCO auditors during the audit. We agree with that statement. The documentation was reviewed and evaluated during the audit and reflected in our audit results. The finding correctly states that $1,232,881 in claimed costs was unsupported.

We appreciate PSUSD’s willingness to implement corrective actions to improve its internal controls over grant expenditures. As noted in the draft report, we recommend that PSUSD work with CDE to return $1,232,881 in unsupported salaries, benefits, and related indirect costs.

ATTACHMENT—PALM SPRINGS UNIFIED SCHOOL DISTRICT'S RESPONSE TO DRAFT AUDIT REPORT

PSUSD
PALM SPRINGS UNIFIED SCHOOL DISTRICT

March 11, 2026
State Controller's Office
Post Office Box 942850
Sacramento, California 94250

District Response to Draft Audit Report

Proposition 47 – Safe Neighborhoods and Schools Fund (SNSF)
Palm Springs Unified School District

Dear Ms. Tarvin,

Palm Springs Unified School District (PSUSD) appreciates the opportunity to review and respond to the draft audit report regarding the District's administration of Proposition 47 – Safe Neighborhoods and Schools Fund (SNSF) grant expenditures for the period of July 1, 2018 through December 31, 2021.

The District recognizes the importance of maintaining strong documentation and internal controls when administering state grant programs and values the State Controller's Office's role in ensuring transparency and accountability in the use of public funds.

Accuracy of the Finding

The draft report identifies $1,232,881 in salaries, benefits, and indirect costs charged to the Proposition 47 grant as unsupported due to the absence of contemporaneous time accounting documentation supporting the allocation of employee salaries to the grant program.

Palm Springs Unified School District acknowledges that during the audit period, documentation practices related to time accounting did not fully align with the contemporaneous time documentation standards described in the California School Accounting Manual (CSAM).

However, the District respectfully notes that the questioned costs appear to reflect a **documentation limitation rather than evidence that the underlying services were not performed or that the expenditures were unallowable under the program.**

During the audit process, the District provided documentation supporting the implementation of the Learning Communities for School Success Program (LCSSP), including records demonstrating program implementation, staff assignments, and services delivered in support of the grant objectives. Staff funded through the program were assigned to provide student support services designed to reduce truancy, improve student engagement, and provide targeted interventions for students at risk of involvement with the juvenile justice system.

While the documentation provided during the audit may not have met the contemporaneous time accounting standard required to verify salary allocations under CSAM, the District maintains that employees funded through

PSUSD
PALM SPRINGS UNIFIED SCHOOL DISTRICT

the grant were performing services aligned with the program's objectives during the audit period and have provided Personnel Activity Reports to your office for staff funded by the grant.

Clarification Regarding Questioned Costs

The District understands from the audit team's explanation that the questioned costs represent salaries, benefits, and indirect costs associated with employees charged to the grant during the audit period because contemporaneous time accounting documentation was not maintained to support the allocation of employee time to the program.

During the District's internal review of payroll records associated with the audit period, the District identified one confirmed payroll coding error related to extra-duty time totaling **$1,029.21**, which the District acknowledges and has taken steps to correct.

However, the remainder of the questioned costs appear to represent the total salaries charged to the grant for affected employees rather than specific expenditures determined to be unrelated to the program or outside the scope of allowable program activities.

Because the employees charged to the grant were assigned to program activities supporting the Learning Communities for School Success Program, the District respectfully believes the questioned costs should be considered in the context of documentation limitations rather than evidence that program services were not delivered.

Internal Control Improvements Implemented Since the Audit Period

Since the period covered by the audit, Palm Springs Unified School District has implemented several internal control improvements to strengthen payroll documentation, grant oversight, and compliance with CSAM documentation standards.

Personnel Activity Reporting (PAR)

The District has implemented a timely Personnel Activity Report (PAR) process for employees funded through categorical programs. This process includes:

- Semi-annual certifications for employees funded 100 percent by a single grant program
- Monthly PAR documentation for employees funded by multiple cost objectives
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- Retention of documentation by the Grant Accountant

These procedures ensure compliance with CSAM requirements for time accounting documentation supporting salary allocations to restricted programs.

PSUSD
PALM SPRINGS UNIFIED SCHOOL DISTRICT

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The District has strengthened payroll internal controls since the audit period by implementing the following improvements:

- Increasing payroll staffing from four payroll specialists to six payroll specialists
- Implementing supervisory review of payroll exception reports prior to payroll approval
- Enhancing verification procedures for funding strings used in payroll processing
- Strengthening segregation of duties within payroll processing

These improvements have strengthened payroll oversight and internal controls and have helped reduce the likelihood of payroll coding errors while improving the District's ability to identify and correct discrepancies when they occur.

Implementation of Electronic Timekeeping System

Palm Springs Unified School District has transitioned from manual timecards to an electronic timekeeping system that includes:

- Employee certification of hours worked
- Supervisor approval within the system
- Budget review of funding sources prior to payroll processing
- Payroll verification procedures

These improvements have strengthened payroll documentation and enhanced oversight of employee time reporting. The electronic timekeeping system also provides additional safeguards designed to reduce payroll coding errors and improve the timely identification and correction of discrepancies, thereby strengthening the reliability of payroll allocations moving forward.

Grant Monitoring Improvements

Additional improvements implemented since the audit period include:

- Centralized grant documentation maintained by the Grant Accountant
- Accounting review of categorical expenditures for allowability
- Budget review of payroll coding charged to restricted programs
- Program administrator oversight of grant-funded activities

These improvements have strengthened the District's internal control environment and improved documentation practices related to grant administration.

PSUSD
PALM SPRINGS UNIFIED SCHOOL DISTRICT

District Commitment to Compliance

Palm Springs Unified School District remains committed to maintaining strong internal controls and ensuring that all grant expenditures are allowable, reasonable, program-related, and properly documented.

The District has taken meaningful steps to strengthen documentation practices and payroll oversight to ensure compliance with CSAM requirements and applicable grant program standards moving forward.

Additional Consideration

The District respectfully requests that the State Controller's Office consider the underlying purpose and impact of the Proposition 47 Safe Neighborhoods and Schools Fund when evaluating the questioned costs identified in the audit.

During the audit period, Palm Springs Unified School District implemented the Learning Communities for School Success Program districtwide and provided student support services aligned with the program's intent to reduce truancy, improve student engagement, and provide targeted interventions for vulnerable student populations.

While documentation practices during the audit period did not fully align with contemporaneous time accounting standards, the District believes the services funded by the grant were delivered and directly supported students and school communities.

The District respectfully requests that this context be considered when determining the final disposition of the questioned costs.

Conclusion

Palm Springs Unified School District appreciates the opportunity to respond to the draft audit report and remains committed to working collaboratively with the State Controller's Office and the California Department of Education to ensure full compliance with program requirements.

The District respectfully requests that the State Controller's Office consider the District's explanation, the documentation provided during the audit process, and the corrective actions implemented since the audit period when evaluating the final determination regarding the questioned costs.

Sincerely,

Tony Carrillo Jr.
Director, Fiscal Services
Palm Springs Unified School District

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