



**BETTY T. YEE**  
California State Controller

August 2, 2016

Christi Barrett, Superintendent  
Hemet Unified School District  
1791 W. Acacia Avenue  
Hemet, CA 92545

Dear Ms. Barrett:

The State Controller's Office performed a desk review of costs claimed by the Hemet 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, 2003; and July 1, 2004, through June 30, 2005. The district did not claim any program costs for the period of July 1, 2003, through June 30, 2004. 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 \$25,014 for the mandated program. Our review found that \$14,359 is allowable and \$10,655 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 \$14,359, contingent upon available appropriations.

We informed Pam Buckhout, Director of Fiscal Services, of the finding via email on June 20, 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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](http://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/as

Attachments

RE: S16-MCC-9035

cc: Pam Buckhout, Director of Fiscal Services  
Hemet Unified School District  
Nancy Sheets, Executive Director  
District Fiscal Services, Riverside County Office of Education  
Peter Foggiano, 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, 2003;  
and July 1, 2004, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 205	\$ 205	\$ -
HSEE administration	1,128	1,128	-
Reporting data to the Superintendent of Public Instruction	240	240	-
Total direct costs	1,573	1,573	-
Indirect costs	60	60	-
Total direct and indirect costs	1,633	1,633	-
Less offsetting reimbursements	-	(6,294)	(6,294)
Subtotal	1,633	(4,661)	(6,294)
Adjustment to eliminate negative balance	-	4,661	4,661
Total program costs	<u>\$ 1,633</u>	-	<u>\$ (1,633)</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:			
Documentation of adequate notice	\$ 274	\$ 274	\$ -
HSEE administration	1,027	1,027	-
Reporting data to the Superintendent of Public Instruction	103	103	-
Total direct costs	1,404	1,404	-
Indirect costs	41	41	-
Total direct and indirect costs	1,445	1,445	-
Less offsetting reimbursements	-	(2,736)	(2,736)
Subtotal	1,445	(1,291)	(2,736)
Adjustment to eliminate negative balance	-	1,291	1,291
Total program costs	<u>\$ 1,445</u>	-	<u>\$ (1,445)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 284	\$ 284	\$ -
HSEE administration	71	71	-
Reporting data to the Superintendent of Public Instruction	103	103	-
Total salaries and benefits	458	458	-
Materials and supplies:			
HSEE Administration	14,849	14,849	-
Total materials and supplies	14,849	14,849	-
Total direct costs	15,307	15,307	-
Indirect costs	840	840	-
Total direct and indirect costs	16,147	16,147	-
Less offsetting reimbursements	-	(1,788)	(1,788)
Total program costs	<u>\$ 16,147</u>	14,359	<u>\$ (1,788)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,359</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 1,634	\$ 1,634	\$ -
HSEE administration	3,552	3,552	-
Reporting data to the Superintendent of Public Instruction	103	103	-
Total salaries and benefits	5,289	5,289	-
Materials and supplies:			
HSEE administration	223	223	-
Total materials and supplies	223	223	-
Total direct costs	5,512	5,512	-
Indirect costs	277	277	-
Total direct and indirect costs	5,789	5,789	-
Less offsetting reimbursements	-	(7,895)	(7,895)
Subtotal	5,789	(2,106)	(7,895)
Adjustment to eliminate negative balance	-	2,106	2,106
Total program costs	<u>\$ 5,789</u>	-	<u>\$ (5,789)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2000, through June 30, 2003;</u>			
<u>and July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits:			
Documentation of adequate notice	\$ 2,397	\$ 2,397	\$ -
HSEE administration	5,778	5,778	-
Reporting data to the Superintendent of Public Instruction	549	549	-
Total salaries and benefits	<u>8,724</u>	<u>8,724</u>	<u>-</u>
Materials and supplies:			
HSEE administration	15,072	15,072	-
Total materials and supplies	<u>15,072</u>	<u>15,072</u>	<u>-</u>
Total direct costs	23,796	23,796	-
Indirect costs	1,218	1,218	-
Total direct and indirect costs	25,014	25,014	-
Less offsetting reimbursements	-	(18,713)	(18,713)
Subtotal	25,014	6,301	(18,713)
Adjustment to eliminate negative balance	-	8,058	8,058
Total program costs	<u>\$ 25,014</u>	14,359	<u>\$ (10,655)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,359</u>	

<sup>1</sup> See Attachment 2, Review Results.

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**Attachment 2—  
Review Results  
July 1, 2000, through June 30, 2003;  
and July 1, 2004, through June 30, 2005**

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**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  
revenue**

The district did not report the HSEE Program apportionments received from the California Department of Education (CDE), totaling \$18,713, for the period of July 1, 2000, through June 30, 2003; and July 1, 2004, through June 30, 2005.

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 \$18,713 from the CDE.

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

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2004-05	
HSEE apportionment	\$ (6,294)	\$ (2,736)	\$ (1,788)	\$ (7,895)	\$ (18,713)
Less offset apportionment	-	-	-	-	-
Review finding	<u>\$ (6,294)</u>	<u>\$ (2,736)</u>	<u>\$ (1,788)</u>	<u>\$ (7,895)</u>	<u>\$ (18,713)</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.